FORM 2A

LISTING STATEMENT

IM CANNABIS CORP.

(the "Company")

IN CONNECTION WITH THE LISTING OF SHARES OF THE COMPANY (THE ENTITY FORMERLY KNOWN AS NAVASOTA RESOURCES INC.)

Dated as at October 29, 2019

Neither the Canadian Securities Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover Transaction described in this Listing Statement.

IM Cannabis (the "Company") currently operates in the Israeli medical cannabis market by providing intellectual property and services to licensed producers. Focus Medical Herbs Ltd. ("Focus"), a licensed medical cannabis producer in Israel with whom the Company has exclusive commercial agreements, is the first major Israeli licensed producer to utilize the Company's intellectual property and know-how. Neither the Company nor any of its subsidiaries currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime, in its current financial results.

Israeli regulatory authorities impose certain requirements on shareholders of licensed producers intended to protect the integrity of the cannabis industry in Israel. These requirements preclude, among other things, any shareholder from directly or indirectly acquiring, holding or maintaining control or direction over 5% or more of the issued and outstanding share capital of a licensed producer without obtaining Ministry of Health ("MOH") approval. The ramifications of breaching this requirement without MOH approval may include, among other things, suspension or cancellation of a medical cannabis license.

Based on the foregoing, regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus, and as such subject to the 5% ownership restriction applicable to licensed producers. A determination of this nature could jeopardize the license held by Focus and require action from the Company and its shareholders to restructure their affairs to comply with such restrictions and/or seek the MOH's approval of the current structure. Any sanctions resulting from Israeli regulatory authorities deeming the Company as the owner of more than 5% of Focus may have a material adverse effect on the Company's business, financial condition and results of operations.

For further information, please see "*Note Regarding the Company's Accounting Practices*" and "*Risk Factors – Risk of Re-Interpretation of the IMC Restructuring by Israeli Regulatory Authorities*"

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1. GLOSSARY OF TERMS

Unless otherwise indicated, the following terms used in this Listing Statement and the Appendices hereto shall have the meanings ascribed to them as set forth below:

"**BCBCA**" means the Business Corporations Act (British Columbia), as amended, including all regulations promulgated thereunder;

"**Board**" means the board of directors of the Company as presently constituted;

"**cannabis**" has the meaning given to such term in the Dangerous Drugs Ordinance;

"**cannabis oil**" means the extract of cannabis inflorescence diluted with oil, as defined in Directive 152;

"**Cannasoul**" means Cannasoul Analytics Ltd., a company incorporated under the laws of the State of Israel;

"**CBD**" means cannabidiol;

"**CEO**" means chief executive officer;

"**CFO**" means chief financial officer;

"**Closing Date**" means the date of completion of the Reverse Takeover Transaction;

"**Code**" means temporary codes issued as part of the application process by the MOH at the first stage of the Road Map. Upon fulfilment of certain conditions under the MOH Regulations, applicants with a Code that will satisfy the requirements under the MOH Regulations, will receive a New License;

"**Commercial Agreements"** means, collectively, the Services Agreement and the License Agreement;

"**Common Shares**" means at any particular time the issued and outstanding common shares in the capital of the Company at that time;

"**Companies Law**" means the Israeli Companies Law 1999;

"**Compensation Options**" means compensation options of the Company;

"**Company**" or "**Issuer**" means IM Cannabis Corp., a corporation continued under the BCBCA with its registered office located in Vancouver, British Columbia;

"**Consolidation**" means the consolidation of Common Shares on the basis of one (1) Post-Consolidation Share for every 2.83 pre-consolidation Common Shares;

"**CSE**" means the Canadian Securities Exchange;

"**Dangerous Drugs Ordinance**" means the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew];

"**Definitive Agreement**" means the amended and restated business combination agreement dated September 3, 2019, as amended from time to time, between the Company, Subco1, and IMC, relating to the Acquisition, attached hereto as "Appendix A – *Definitive Agreement*" and includes any subsequent amending agreement or instrument supplementary or auxiliary thereto;

"**Directive 150**" means Directive 150/2016 – IMC-GSP certification, the IMCA directive that sets the standards for the security and protection measures that must be undertaken throughout the entire supply chain of medical cannabis;

"**Directive 151**" means Directive 151/2016[1] – IMC-GAP certification, the IMCA directive that sets the norms and standards for growing medical cannabis in Israel;

"**Directive 152**" means Directive 152/2016[2] – IMC-GMP certification, the IMCA directive that provides the IMC-GMP rules and standards for the creation and production of medical cannabis goods in Israel;

"**Directive 153**" means Directive 153/2016[3] – IMC-GDP certification, the IMCA directive that sets the conditions for the proper storage and delivery of medical cannabis products in Israel;

"**EU-GACP Standard**" means the good agricultural and collection practice standard set out by the European Union and European Medicines Agency for companies that cultivate, harvest and collect cannabis to manufacture, process, package and store;

"**EU-GMP Standard**" means the good manufacturing practice standard set out by the European Union for manufacturers of medical products intended for the European Union market;

"**Exchange Ratio**" means the exchange of the Company's securities for securities of IMC on the basis of ten (10) Post-Consolidation Shares, Options, Warrants or Compensation Options, as applicable, for each IMC Share, IMC Option, IMC Warrant or IMC Compensation Option held;

"**Export Reform**" means the legislative reform approved by the Israeli government on January 27, 2019[4] (the "**Export Resolution**") allowing the export of cannabis products (but not cannabis plants or plant material that is cultivatable) that meets quality standards of the MOH, pursuant to the terms and conditions of the license granted by the MOH, to countries that have signed the Single Convention on Narcotic Drugs,[5] and approved the import of cannabis products into their territory; provided however, that the export shall be made and applicable export license shall be provided in accordance with the respective regulations set and set by the MOH. The Export Resolution determines that within six months from the actual receipt of the resources for the implementation of the Export Resolution, the MOH and the Israeli police shall complete the deployment and training of the employees involved in licensing and supervising the medical cannabis production. In addition, the Export Resolution determines that the export shall commence three months following the completion of such preparation of the MOH and Israeli Police;

"**FinCo**" means IM Cannabis (Finance) Ltd., a company incorporated under the BCBCA;

"**FinCo Compensation Options**" means the compensation options of FinCo;

"**FinCo Shares**" means common shares in the capital of FinCo;

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1 Directive 151 [Hebrew] - https://www.health.gov.il/hozer/mmk151_2016.pdf

2 Directive 152 [Hebrew] - https://www.health.gov.il/hozer/mmk152_2016.pdf

3 Directive 153 [Hebrew] - https://www.health.gov.il/hozer/mmk153_2016.pdf

4 Directive 4490 [Hebrew] - https://www.gov.il/he/departments/policies/dec4490_2019

5 Single Convention on Narcotic Drugs, 1961, as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs, 1961 - https://www.unodc.org/pdf/convention_1961_en.pdf

“**FinCo Warrants**” means warrants to purchase FinCo Shares;

“**Focus**” means Focus Medical Herbs Ltd., a company incorporated under the laws of the State of Israel;

“**Focus Shares**” means ordinary shares in the capital of Focus;

“**GAP Standard**” means the good agricultural practices standard set out in Directive 151, and is required for Israeli cultivation and breeding licenses;

“**GDP Standard**” means the good distribution practices standard set out by the IMCA in Directive 153, and is required for Israeli transportation, storage and distribution licenses;

“**GMP Standard**” means the good manufacturing practices standard set out by the IMCA in Directive 152, and is required for Israeli manufacturing licenses;

“**GSP Standard**” means the good security practices standard set out by the IMCA in Directive 150, and is required for Israeli breeding, cultivation, manufacturing and distribution licenses;

“**IFRS**” means International Financial Reporting Standards applicable as at the relevant date;

"**IFRS 10**" means IFRS 10 *Consolidated Financial Statements*, the reporting standard outlining the requirements for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities;

“**IMC**” means I.M.C. Holdings Ltd., limited liability company number 515778348, a company existing under the laws of the State of Israel;

“**IMC Compensation Options**” means the 128,652 outstanding compensation options of IMC prior to the Reverse Takeover Transaction, each entitling the holder to purchase one unit at a price of $4.00 per unit for a period of 24 months following the date of issuance. Each unit consists of one compensation IMC Share and one-half of one compensation IMC Warrant, with each whole compensation IMC Warrant exercisable to acquire one IMC Share at a price of $5.00;

“**IMC Options**” means the outstanding options of IMC and rights to acquire IMC Shares prior to the Reverse Takeover Transaction;

“**IMC Pharma**” means IMC Pharma Ltd., a company incorporated under the laws of the State of Israel;

“**IMC Portugal**” means I.M.C. – International Medical Cannabis Portugal, Unipessoal, Lda., a company incorporated under the laws of Portugal;

“**IMC Restructuring**” means the corporate re-structuring of IMC pursuant to the laws of the State of Israel, which will result in the new business and corporate structure of IMC such that IMC will be able to complete the Reverse Takeover Transaction without the requirement of approval from the IMCA;

“**IMC Shares**” means the outstanding ordinary shares in the capital of IMC prior to the Reverse Takeover Transaction;

“**IMC Ventures**” means IMC Ventures Ltd., a company incorporated under the laws of the State of Israel;

"**IMC Warrants**" means 1,141,375 outstanding warrants to purchase IMC Shares prior to the Reverse Takeover Transaction. Each IMC Warrant can be exercised by the holders thereof to purchase one IMC Share at a price of $5.00 per IMC Warrant for a period of 24 months from the date of issuance;

"**IMC's Brand**" means the "IMC" brand name, used in connection with a line of cannabis strains that is cultivated for the medical cannabis industry and certain branded medical cannabis products.

"**IMC's IP**" means IMC's intellectual property rights and knowledge, collectively including IMC's Brand, IMC's Know-How and IMC's Technology.

"**IMC's Know-How**" means any know-how and proprietary information related to the medical cannabis industry, IMC's Brand, IMC's Technology, all information, improvements, inventions, formulae, processes, techniques, know-how and data, whether or not patentable or registerable under copyright or any similar laws, made or conceived or reduced to practice or learned by IMC, either alone or jointly with others.

"**IMC's Technology**" means certain machinery developed by IMC which maximizes the production of medical cannabis by minimizing the human intervention in the cultivation process.

"**IMCA**" means the Israeli Medical Cannabis Agency, an agency operated by the MOH;

"**IMCC**" means I.M.C.C. Ltd., a company incorporated under the laws of the State of Israel;

"**Israeli Registrar of Companies**" means the government authority in the State of Israel responsible for the supervision, registration and enforcement over corporations in Israel;

"**kg**" means a kilogram;

"**License**" means the license to cultivate, produce, possess, and supply granted to Focus by the MOH on September 17, 2018 and the cultivation license and propagation license both granted to Focus by the MOH on December 13, 2018 and effective until March 30, 2020;

"**License Agreement**" means the License Agreement dated as of April 2, 2019, by and between IMC and Focus, which provides, as further specified herein, Focus' obligation to exclusively use IMC's IP in accordance with the terms of the License Agreement;

"**Licensed Entities**" means Focus, IMC Pharma and IMCC;

"**Listing Statement**" means this CSE Form 2A listing statement of the Company including the appendices hereto;

"**LP**" means a company operating in the Israeli medical cannabis sector which holds a license from the MOH allowing it to conduct its business in accordance with the terms of such license and the applicable laws of the State of Israel;

"**Material Adverse Effect**" means any event, change or effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, assets, liabilities, or business of a party and its subsidiaries, considered as a whole, provided, however, that a Material Adverse Effect shall not include an adverse effect resulting from a change: (a) which arises out of or in connection with a matter that has been publicly disclosed or otherwise disclosed in writing by such party to the other parties prior to the date of this Listing Statement; (b) resulting from conditions affecting the medical marijuana industry generally in Canada, Israel and the United States including changes in laws, government policies or programs or taxes; or (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, Israel or the United States;

"**Merger**" means the merger of IMC and Subco1 pursuant to the provisions of the Companies Law and pursuant to which the Company acquires all the issued and outstanding IMC Shares, all on the terms and conditions set forth herein;

"**MOH**" means the Israeli Ministry of Health;

"**MOH Regulations**" means the Dangerous Drugs Ordinance, any amendments of the Dangerous Drugs Ordinance, any regulations enacted by virtue of the Dangerous Drugs Ordinance from time to time, the Export Resolution and the regulatory regime introduced by the MOH with respect to the medical cannabis industry in Israel, as further specified below and in the Road Map;

"**Named Executive Officers**" or "**NEOs**" means the Company's CEO and CFO and the next two next most highly compensated executive officers of the Company;

"**New Licenses**" means the new set of licenses that will be issued by the MOH, following the effective date of the Road Map;

"**NIS**" means Israeli New Shekel, the lawful currency of the State of Israel;

"**Option Agreements**" means certain option agreements dated April 2, 2019, by and between IMC and the Principals pursuant to which, IMC holds the Option to Purchase;

"**Options to Purchase**" means the options to purchase 100% of the issued and outstanding share capital of each of the Licensed Entities from the Principals pursuant to the terms and conditions specified in the Option Agreements;

"**Options**" means incentive stock options to purchase Common Shares granted to certain eligible participants of the Company in accordance with the terms of the Stock Option Plan;

"**Person**" means an individual, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative;

"**Post-Consolidation Shares**" collectively means the common shares in the capital of the Company after giving effect to the Consolidation and individually a "**Post-Consolidation Share**";

"**Principals**" means Oren Shuster, the CEO and director of the Company, and Rafael Gabay, an insider of the Company, from whom IMC holds the Option to Purchase pursuant to the Option Agreements;

"**Reverse Takeover Transaction**" means the reverse takeover of the Company by IMC pursuant to the terms and conditions of the Definitive Agreement, a copy of which is attached hereto as "Appendix A – *Definitive Agreement*";

"**Road Map**" means the guidelines issued by the MOH outlining the process of licensing and authorization in the field of cannabis for medical use, as specify in Government Resolution No. 3609 dated August 8, 2011; Government Resolution No. 1050, dated December 15, 2013; Government Resolution No. 1587 dated June 26, 2016; the provisions of the Single Convention on Narcotic Drugs;[6]

6 Single Convention on Narcotic Drugs, 1961, as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs, 1961 - https://www.unodc.org/pdf/convention_1961_en.pdf

and the MOH resolution regarding the licensing process of cannabis for medical use dated November 2018;[7]

"**Services Agreement**" means that certain services agreement dated as of April 2, 2019, by and between IMC and Focus, requiring Focus to exclusively use IMC for the following services: (a) business development services, (b) marketing services, (c) strategic advisory services, (d) locating potential collaborations on a world-wide basis, and (e) financial analysis services; in accordance with the consideration mechanism set in Annex A to the Services Agreement, as further specified below under "*Narrative Description of the Business – General Business of IMC*";

"**Subco1**" means Navasota Acquisition Ltd., a private company incorporated under the laws of the State of Israel;

"**Subco2**" means 1215324 B.C. Ltd., a company incorporated under the BCBCA;

"**Subscription Receipts**" means subscription receipts of FinCo, each convertible into one FinCo Share and one-half of one FinCo Warrant in accordance with their terms;

"**THC**" means tetrahydrocannabinol;

"**TSXV**" means the TSX Venture Exchange;

"**U.S.**" means the United States of America; and

"**Warrants**" means common share purchase warrants to purchase Common Shares in the capital of the Company.

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

GENERAL MATTERS

Currency Presentation

Amounts in this Listing Statement are stated in Canadian dollars unless otherwise indicated.

Exchange Rates

The following table sets forth the value of one Canadian dollar expressed in NIS, based on the exchange rates available through the Bank of Israel:

	Six months ended June 30, 2019	**Year ended December 31, 2018**	**Year ended December 31, 2017**
As at end of period	NIS 2.7225	NIS 2.7517	NIS 2.7648
Low for the period	NIS 2.6705	NIS 2.6821	NIS 2.6142
High for the period	NIS 2.7703	NIS 2.8111	NIS 2.9300
Average rate for the period	NIS 2.7146	NIS 2.7740	NIS 2.7741

7 The MOH Road Map [Hebrew] - https://www.health.gov.il/UnitsOffice/HD/cannabis/Documents/09052018.pdf

No U.S. Marijuana Activities

The Company is currently not engaged in, and as of the date of this Listing Statement, has no plans to engage in, the cultivation, possession or distribution of marijuana in the U.S. or engage in any other marijuana-related activity in the U.S. that is considered illegal under U.S. federal law as contemplated under CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* of the Canadian Securities Administrators.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Listing Statement and the documents incorporated by reference herein contain or may contain certain statements or disclosures concerning the Company and IMC that constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, about possible events, conditions, results of operations, activities, events, outcomes, results or developments based on assumptions about future economic conditions and courses of action that the Company or IMC anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "**anticipate**", "**continue**", "**estimate**", "**expect**", "**may**", "**will**", "**project**", "**should**" or "**believe**". In particular, this Listing Statement, and the documents incorporated by reference, contain or may contain forward-looking information pertaining to the following:

- the Israeli and European business strategy of the Company, including Focus, IMC Pharma and IMCC in the event that the Company exercise any of its options under the Option Agreements;
- the Israeli and European business to be carried on by the Company following the completion of the Reverse Takeover Transaction, including statements with respect to applicable governmental and regulatory approvals required to carry on such business;
- the attributes of the Company which are based upon the attributes of IMC (including financial and operating attributes for the Company and Focus, IMC Pharma and IMCC in the event that the Company exercises any of its options under the Option Agreements); and
- the commencement of trading of the Common Shares on the CSE.

The Company relies on certain key expectations and assumptions in making the forecasts, projections, predictions or estimations set out in forward-looking information. These factors and assumptions are based on information available at the time that the forward-looking information is provided. These include, but are not limited to, expectations and assumptions concerning:

- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing, and changes to its dividend policies;
- the Company's expectations regarding regulatory developments in the jurisdictions in which it currently operates or is contemplating future operations;
- the Company's expectations with respect to the size of the target market for its products in Israel and Europe and the number of grams of medical cannabis consumed by each user;
- the Company's intention to develop its business and its operations;

- the Company's expectations with respect to how its products will be distributed to consumers in Israel and Europe;
- the Company's growth expectations and ability to maintain sufficient inventory;
- the Company's expectations with respect to future production costs and capacity, including for Focus in the event the Company exercises its option under the Option Agreements; and
- the Company's competitive position and the regulatory environment in which it operates.

Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include:

- volatility in market prices for medical cannabis;
- risks and liabilities inherent in medical cannabis operations;
- competition for, among other things, capital, acquisitions of lands and greenhouses, and skilled personnel;
- incorrect assessments of the value of acquisitions and development programs;
- technical and processing problems;
- regulatory changes;
- actions by governmental authorities, including increases in taxes;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange, currency, or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions;
- the other factors specifically identified as risk factors in this Listing Statement and the documents incorporated by reference herein; and
- potential labour unrest.

Readers are cautioned that the foregoing list of factors should not be construed as exhaustive.

The forward-looking statements included in this Listing Statement are expressly qualified by this cautionary statement and are made as of the date of this Listing Statement. The Company undertakes no obligation to publicly update or revise any forward-looking statements, except as required by applicable securities laws.

DISCLAIMER REGARDING THE COMPANY'S ISRAEL CORPORATE STRUCTURE

Current Israeli law prohibits any person from acquiring 5% or more share ownership of an Israeli company licensed to engage in cannabis-related activities without obtaining prior regulatory approval. For a number of reasons, including market maturity in Israel, the opportunity to work with multiple Israeli licensed producers, and in contemplation of a "go-public transaction", IMC effected the IMC Restructuring whereby IMC divested its interest in its three (3) Israeli subsidiaries that conducted or were to conduct IMC's cannabis-related activities in Israel:

1. Focus, which holds a license issued by the MOH to propagate and cultivate cannabis;

2. IMC Pharma, which had applied to the MOH for a license to manufacture medical products and had received a Code from the MOH;

3. IMCC, which had applied to the MOH for a license to store and distribute medical cannabis products and had received a Code from the MOH.

Under the terms of the IMC Restructuring, IMC divested its interests in Focus, IMC Pharma and IMCC to the Principals, who are related parties, but entered into the Option Agreements whereby IMC retains a 10 year option to re-acquire the sold interests at such time as Israeli laws permit foreign share ownership of more than 5% of Israeli medical cannabis companies.

In connection with the IMC Restructuring, IMC entered into the License Agreement that granted Focus a limited, non-exclusive, non-assignable right to use certain of IMC's IP for the purposes of cultivating cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors engaged by Focus.

Further in connection with the IMC Restructuring, IMC entered into the Services Agreement to provide certain business support services to Focus. The Option Agreements, License Agreement and Services Agreement are more fully described in "*General Development of the Business – IMC – IMC Restructuring*".

As a result of the IMC Restructuring, neither the Company nor IMC directly hold any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. To the extent that the Company or IMC makes statements in this Listing Statement relating to its capabilities to breed, cultivate, process, store and distribute cannabis in the state of Israel, including any projections thereto, such statements are made on the assumption that IMC will and has duly exercised its Option to Purchase its sold interests in Focus, IMC Pharma and IMCC.

NOTE REGARDING THE COMPANY'S ACCOUNTING PRACTICES

The Company complies with IFRS 10, which applies a single consolidation model using a definition of "control" that requires an investor (as defined in IFRS 10) to consolidate an investee (as defined in IFRS 10) where: (i) the investor has power over the investee; (ii) the investor has exposure or rights to variable returns from involvement with the investee; and (iii) the investor can use its power over the investee to affect the amount of the investor's returns.

Subsequent to the IMC Restructuring, the Company analyzed the terms of the contractual agreements with Focus (including the Commercial Agreements and the Option Agreements) in accordance with IFRS 10 to conclude whether it should continue to consolidate the accounts of Focus in its financial statements.

Under IFRS 10, consolidation occurs when an investor can exercise control over an investee. Control is achieved through voting rights or other evidence of power. Where there are no direct holdings, under IFRS 10, an investor (as defined in IFRS 10) should consider other evidence of power and ability to unilaterally direct an investee's (as defined in IFRS 10) relevant activities. In view of the contractual agreements and the guidance in IFRS 10, notwithstanding that the Company has no direct or indirect ownership of Focus, it has sufficient rights to unilaterally direct the relevant activities (a concept known as "de facto control"), mainly due to the following:

(a) the Company receives economic benefits from Focus (and the terms of the Commercial Agreements cannot be changed without the approval of the Company);

(b) the Company has the Option to Purchase the 74% interest from the Principals;

(c) the CEO of the Company is the sole director of Focus (while simultaneously a substantial shareholder of the Company); and

(d) the Company provides management and support activities to Focus through the Services Agreement.

Accordingly, under IFRS 10, the Company has "de facto control" over Focus, and therefore consolidates the financial results of Focus in the Company's financial statements.

For additional information, please see "*Risk Factors – Risk of Re-Interpretation of the IMC Restructuring by Israeli Regulatory Authorities*".

2. CORPORATE STRUCTURE

Corporate Name

The full corporate name of the Company is IM Cannabis Corp. The Company's head office is located at Kibbutz Glil Yam, Israel and its registered office is located at 550 Burrard Street, Suite 2300, Bentall 5, Vancouver, British Columbia, V6C 2B5, Canada.

Incorporation and Articles

The Company was incorporated as "Nirvana Oil & Gas Ltd." pursuant to a Certificate of Incorporation issued under the laws of the Province of British Columbia on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company changed its name to "Navasota Resources Inc.".

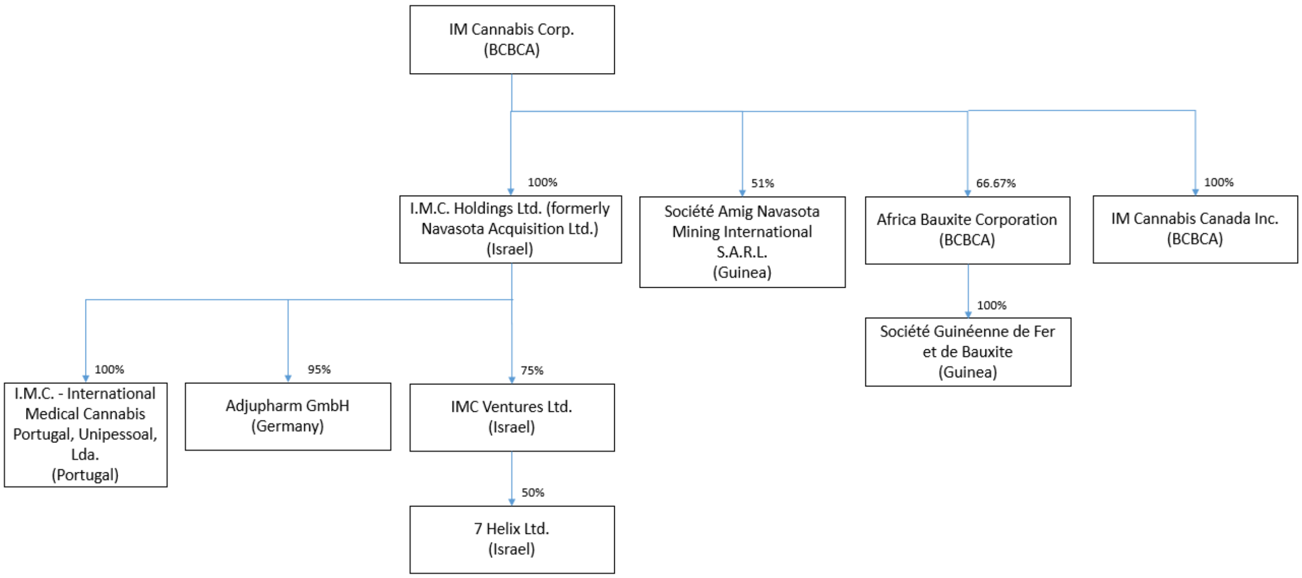
On June 22, 2018, the Company completed a consolidation of its Common Shares on a 5:1 basis.

On October 4, 2019, in connection with the Reverse Takeover Transaction, the Company consolidated its Common Shares on the basis of one (1) Post-Consolidation Share for every 2.83 pre-consolidation Common Shares and changed its name to "IM Cannabis Corp.".

Intercorporate Relationships

The Company has three wholly-owned subsidiaries: (i) IMC, incorporated on January 16, 2018 under the laws of the State of Israel; (ii) IMC Portugal, incorporated on February 26, 2019 under the laws of Portugal; and (iii) IM Cannabis Canada Inc., amalgamated on October 11, 2019 under the BCBCA.

The Company also has four partially-owned subsidiaries, (i) Adjupharm GmbH, of which the Company owns 95%; (ii) IMC Ventures Ltd., of which the Company owns 75%; (iii) Société Amig Navasota Mining International S.A.R.L., of which the Company owns 51%; and (iv) Africa Bauxite Corporation, of which the Company owns 66.67%.



3. GENERAL DEVELOPMENT OF THE BUSINESS

The Company

The Company historically engaged in resource exploration activities but ceased operations and shifted focus to identifying and evaluating new business opportunities. Prior to the Reverse Takeover Transaction, the Company did not have business operations or assets other than cash, and since March 7, 2018 had conducted no business operations except for the identification and evaluation of potential acquisitions. The Company is a reporting issuer under the laws of the Provinces of British Columbia and Alberta and the Common Shares were previously listed for trading on the NEX board of the TSXV under the symbol "NAV.H". The Common Shares were voluntarily de-listed from the TSXV on June 18, 2018.

On June 25, 2018, the Company announced the entering into of a letter of intent with IMC proposing the Reverse Takeover Transaction.

On November 6, 2018, the Company announced the entering into of a business combination agreement between the Company, IMC and Subco1 providing for the definitive terms and conditions for the Reverse Takeover Transaction.

On September 3, 2019, the Company announced the entering into of the Definitive Agreement, which superseded the previous business combination agreement between the Company, IMC and Subco1 dated November 6, 2018.

On October 11, 2019, the Company announced the closing of the Reverse Takeover Transaction resulting in the change of business of the Company from mining to medical cannabis. For further information regarding the Reverse Takeover Transaction, please see "*General Development of the Business – Reverse Takeover Transaction*". Additionally, readers are encouraged to refer to the Definitive Agreement, a copy of which is attached hereto as "Appendix A – *Definitive Agreement*" and which has also been filed by the Company with the Canadian securities regulatory authorities and is available at www.sedar.com.

IMC

IMC was incorporated under the laws of the State of Israel on January 16, 2018. The head office of IMC is located at Kibbutz Glil Yam, Israel.

IMC is an international medical cannabis company headquartered in Israel. Internationally, IMC is establishing a vertically integrated medical cannabis business in Germany. Subject to obtaining applicable governmental and regulatory approvals, IMC has expansion plans for additional European markets including, but not limited to, Portugal and Greece. IMC's core Israeli business includes offering branding and intellectual property-related services to the Israeli medical cannabis market. IMC's major Israeli assets include the Option Agreements to purchase the Licensed Entities from the Principals and the Commercial Agreements as well as holdings in an innovation-focused company, while its international assets include material holdings in a fully licensed medical cannabis distribution company in Germany and a subsidiary in Portugal.

To develop expertise in a new market, IMC's strategy is to deeply immerse itself in an emerging market in a hands-on capacity, establishing fully integrated business models to allow for top to bottom control over all facets of operations, including cultivation, production, manufacturing, distribution and research and development. As a market matures, IMC leverages the know-how gained from this approach to withdraw from asset and capital intensive positions in order to broaden its reach in a particular market by offering branding, know-how and intellectual property-related services to a range of medical cannabis industry participants using its brand goodwill and market expertise. This is illustrated by IMC's work with Focus in Israel and is the strategy with which it is entering European markets.

In Israel, through the licensing of IMC's IP, including IMC's Brand, IMC's Technology and IMC's Know-How, IMC uses its brand recognition and goodwill to widen its reach and offer branding, marketing and other related services to a wide variety of market participants in the Israeli medical cannabis industry. Currently, IMC primarily offers services to Focus pursuant to the Commercial Agreements and has a number of proprietary medical cannabis products bearing IMC's Brand currently in distribution in Israel.

In Europe, IMC is establishing a fully operational, vertically integrated medical cannabis business spearheaded by its distribution arm in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage IMC's Brand to establish a foothold in emerging medical cannabis markets in Germany, Portugal and Greece.

IMC is an active participant in the Israeli and global cannabis innovation ecosystem through IMC Ventures, investing in manufacturing and processing technology and performing ongoing research and development activities with respect to new genetic strains in a manner which does not require a license from the MOH. These activities are intended to expand IMC's business and widen the range of customers to whom IMC can license IMC's IP for commercial purposes.

IMC currently has 8 full and part time employees. IMC's management team is committed to aggressive, cost-effective growth, and intends to facilitate growth through cash flow from operations, access to capital markets and strategic acquisitions, as well as the promotion of its brands.

Development of the Business of IMC

<u>Focus</u>

Focus, founded by Mr. Oren Shuster, commenced operations in 2010 as a vertically integrated licensed cultivator and distributor of medical cannabis products in the State of Israel. Focus was one of eight medical cannabis producers initially licensed by Israeli regulatory authorities. Over the course of nine years of operations, Focus accumulated significant know-how and expertise in the Israeli medical cannabis market while growing its patient base and enhancing its product line. IMC recognized the value of its know-how in the maturing Israeli cannabis market.

Establishment of IMC

On January 16, 2018, in anticipation of new MOH regulatory requirements under the Road Map, IMC was established and structured as a holding company for Focus and certain other entities applying for licenses to operate in different sectors of the Israeli medical cannabis industry.

In 2018, IMC established IMC Pharma, IMCC and IMC Ventures and purchased 74% of the issued and outstanding share capital of Focus from the Principals. Focus, IMC Pharma and IMCC were each intended to hold licenses to operate in a different sector of the medical cannabis industry upon the enactment of the Road Map. The intended specializations of the Licensed Entities were as follows:

(i) Focus – cultivation and processing of medical cannabis;

(ii) IMC Pharma– manufacture of medical cannabis products;

(iii) IMCC – storage and distribution of medical cannabis products; and

(iv) IMC Ventures – investment in cannabis-related research and development.

IMC Pharma received a GMP Standard manufacturing license from the IMCA on May 25, 2018 that was valid for one year in order to establish a manufacturing facility for cannabis products. This license was not renewed. IMC Pharma will explore renewal of this license once the status of export regulations is clarified by Israeli authorities. In the interim, Focus is working with two GMP Standard manufacturers for its Israeli market production needs.

IMCC received a GDP Standard distribution license from the IMCA on May 25, 2018 that is valid for one year in order to establish a distribution and logistics operation for the storage and distribution of cannabis products. IMCC will explore renewal of this license once the status of export regulations is clarified by Israeli authorities. In the interim, Focus is in the process of contracting with a third party Israeli licensed distributor.

IMC Ventures was established on September 5, 2018 for the purpose of investment in cannabis research and development projects and industry related start-ups.

2018 Private Placements

In May and June 2018, in anticipation of a future go-public transaction, IMC completed a series of brokered and non-brokered private placements pursuant to which it sold an aggregate of 2,282,750 units (the "**Units**") at $4.00 per Unit for gross proceeds of $9,131,000 (the "**2018 Private Placements**"). Each Unit consisted of one IMC Share and one-half of one IMC Warrant, with each whole IMC Warrant exercisable for one IMC Share at an exercise price of $5.00 for 24 months following the date of issuance.

Pursuant to the terms of the 2018 Private Placements, IMC issued a total of 128,652 IMC Compensation Options to certain dealers and agents that brokered the transaction, with each IMC Compensation Option entitling the holder to purchase one unit at a price of $4.00 for a period of 24 months following the date of issuance. Each unit consists of one compensation IMC Share and one-half of one compensation IMC Warrant, with each whole compensation IMC Warrant exercisable to acquire one IMC Share at a price of $5.00.

Pursuant to the Reverse Takeover Transaction, Common Shares, Warrants and Compensation Options were issued to the holders of IMC Shares, IMC Warrants and IMC Compensation Options in exchange for and replacement of the then-outstanding IMC Shares, IMC Warrants and IMC Compensation Options in accordance with the Exchange Ratio. The IMC Shares, IMC Warrants and IMC Compensation Options were canceled. Following the exchange, there were a total of 22,827,500 Common Shares, 11,413,750 Warrants and 1,286,520 Compensation Options issued pursuant to the 2018 Private Placements, with the Warrants exercisable for one Common Share at a price of $0.50 and Compensation Options exercisable at a price of $0.40.

<u>IMC Ventures</u>

In July 2018, IMC entered into an agreement with Cannasoul, to jointly form IMC Ventures, an investment company that focuses on screening, funding and developing Israeli cannabis start-ups and collaborating with leading international companies to facilitate commercialization opportunities (the "**Cannabis Ventures**"). IMC owns 75% of the issued and outstanding shares of IMC Ventures and Cannasoul owns the remaining 25%. Cannasoul is an Israeli company specializing in cannabis molecular analysis and laboratory services, led by cannabis researcher Professor David (Dedi) Meiri.

On July 19, 2018, IMC and Cannasoul entered into a founders agreement to form IMC Innovation Ltd. (the "**Founders Agreement**"), later renamed IMC Ventures, which determines the framework and scope of the cooperation between IMC and Cannasoul. Pursuant to the Founders Agreement: (i) Cannasoul shall contribute certain services to IMC Ventures and to each Cannabis Venture (as applicable in each agreement with such Cannabis Venture), including laboratory services, medical consultancy and research assistance; and (ii) IMC shall lead the business aspects of IMC Ventures, including the provision of management services, financing, business development, and sourcing of investment opportunities for the Cannabis Ventures as well as guidance towards operational and commercial goals. The Founders Agreement includes obligations with respect to potential conflicts of interest, confidentiality, proprietary rights, non-competition and non-solicitation.

On October 11, 2018, IMC Ventures entered into a term sheet (the "**7 Helix Term Sheet**") for the establishment of 7 Helix Bio Ltd. ("**7 Helix**"), a company intended to engage in the development of a diagnostic tool for profiling cannabinoid related receptors in biological samples of patients with an aim to find correlations between treatment effect and specific strains of cannabis or cannabinoid combinations. Research in this area under the supervision of Professor Meiri has been ongoing for one year. In accordance with the 7 Helix Term Sheet, IMC Ventures will invest US$3,000,000 in exchange for 50% of 7 Helix's issued and outstanding share capital on a fully diluted as converted basis.

Currently, IMC Ventures is in the process of negotiating the terms and conditions of a definitive agreement in connection with the 7 Helix Term Sheet and expects the transaction to be completed in Q4 2019.

The IMC Restructuring

On June 25, 2018, IMC entered into a letter of intent with the Company proposing the Reverse Takeover Transaction which, if completed, would constitute IMC's go-public transaction and an opportunity to expand its business and access new capital markets. On November 6, 2018, IMC entered into a business combination agreement with the Company providing for the definitive terms and conditions of the Reverse Takeover Transaction.

Understanding that the forthcoming MOH regulatory reform pursuant to the Road Map would allow many new Israeli medical cannabis entrants to apply for licenses and operate as LPs, IMC identified an opportunity to generate revenue by licensing IMC's IP to a wide range of new entrants and offering consulting services to the Israeli medical cannabis industry.

To pivot from an Israeli LP to a provider of know-how, branding and intellectual property-related services to domestic industry participants, IMC undertook the IMC Restructuring in Q1 2019 to divest its holdings in Focus, IMC Pharma and IMCC by entering into the Option Agreements. Through the Option Agreements, IMC agreed to sell its interests in the Licensed Entities in a series non-arm's length transactions with Oren Shuster, the CEO, director and promoter of the Company, and Rafael Gabay, an insider and promoter of the Company, both of whom are related parties to IMC, for the following consideration and for an option to purchase 100% of the issued and outstanding shares of the Licensed Entities. The consideration paid to IMC in the disposition of Focus is consistent with an independent valuation. IMC Pharma and IMCC are shell companies with a nominal deemed value. IMC provided a seller's loan to Mr. Shuster and Mr. Gabay for an aggregate amount of NIS 2,756,500 bearing interest at a rate of 3.41% per annum with a one year term that is extendable under certain terms.

Entity	Aggregate Consideration Received by IMC
Focus	NIS 2,756,500
IMC Pharma	NIS 1
IMCC	NIS 1

In connection with the Option Agreements, IMC entered into the Commercial Agreements with Focus pursuant to which fees and royalties will be paid to IMC in exchange for certain services set out in such Commercial Agreements.

As a result of the IMC Restructuring, IMC was no longer, directly or indirectly, an LP nor a "Controlling Person" of an LP (as defined in the Road Map).[8] IMC received IMCA approval for the IMC Restructuring on June 24, 2019.

Notwithstanding the IMC Restructuring, the Company continues to consolidate Focus in its financial statements as required under IFRS 10.

The Option Agreements

As part of the IMC Restructuring, IMC entered into the Option Agreements in non-arm's length transactions with Oren Shuster, the CEO, director and promoter of the Company, and Rafael Gabay, an insider and promoter of the Company. The Option Agreements grant IMC an option for a period of ten

8 The term "Controlling Person" is defined in the Road Map as the holder of more than 5% of the issued and outstanding share capital of the LP, and/or 5% of the voting rights of the LP, and/or a Person which controls such holder, and/or a director of the LP, and/or an officer of the LP.

(10) years to re-acquire each of Focus, IMC Pharma and IMCC, subject to IMCA approval, on the following terms:

Entity	Re-Acquisition Cost
Focus	NIS 2,756,500
IMC Pharma	NIS 1
IMCC	NIS 1

The current operations of Focus, IMC Pharma and IMCC, respectively, are described as follows:

- Focus
  - Focus is a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime. Focus has been operating since 2010 in the Israeli market. Focus' products bearing IMC's Brand reach over 5,000 patients per month in Israel.
  - Focus has applied and received a Code for conducting cultivation operations under the MOH Reform. In October 2018 Focus received its GAP Standard certification from the IMCA. Focus is one of 8 producers to hold the GAP Standard certification.
  - Focus operates facilities with a total of approximately 172,000 square feet of cultivation and production capacity with current annual output of approximately 3,000 kg at a production cost of approximately $0.40 per gram. Focus intends to expand its facility to approximately 250,000 square feet with annual output of 5,000 kg by the end of 2019, to approximately 834,000 square feet with annual output of 30,000 kg by 2020 and to approximately 2,000,000 square feet with annual output of 90,000 kg by 2021.
  - Focus is positioned for export and expects to supply European jurisdictions in which medical cannabis is legal once the Export Reform is implemented, subject to Israeli and European standards and regulations.
- IMC Pharma
  - In anticipation of the implementation of the MOH Reform, IMC Pharma was established to carry out manufacturing operations for medical cannabis products, including processing and packaging, in accordance with GMP Standards. IMC Pharma received a GMP Standard manufacturing license from the IMCA on May 25, 2018 that was valid for one year and has not yet been renewed. IMC will explore renewal of this license once the status of export regulations is clarified by Israeli authorities.
  - Focus and IMC Pharma have entered into a supply agreement according to which, subject to meeting all regulatory requirements and obtaining all necessary regulatory approval and licenses, IMC Pharma will purchase medical cannabis from Focus on an exclusive basis for the purposes of manufacturing medical cannabis products for consideration equal to Focus' cost of production plus a fee equal to 4% of the cost.

- IMCC
    - o In anticipation of the implementation of the MOH Reform, IMCC was established to provide domestic logistics and distribution services for medical cannabis products. IMCC received a GDP Standard distribution license from the IMCA on May 25, 2018 that was valid for one year and has not yet been renewed. IMC will explore renewal of this license one the status of export regulations is clarified by Israeli authorities.
    - o IMCC and IMC Pharma have entered a supply agreement according to which, subject to meeting all regulatory requirements and obtaining all necessary regulatory approval and licenses, IMCC will purchase medical cannabis products from IMC Pharma on an exclusive basis for the purpose of distributing, marketing and selling the products for consideration equal to IMC Pharma's costs plus a fee equal to 4% of the cost.

The Commercial Agreements with Focus

On April 2, 2019, IMC entered into the Commercial Agreements pursuant to which IMC will provide certain services to Focus in exchange for fees and royalties. The Commercial Agreements took effect as of July 1, 2019.

Under the License Agreement, IMC grants Focus a limited, non-exclusive, non-assignable license to use IMC's IP, including IMC's Brand, for the purposes of cultivation of cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors to be engaged with by Focus, in accordance with the terms and conditions of the License or New License, as applicable, issued to Focus by the MOH, applicable laws and regulations and subject to the terms of the License Agreement.

As consideration for the use of IMC's IP, Focus shall pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Under the Services Agreement, Focus shall pay IMC an amount based on cost + 25%, on a quarterly basis for the following services to be provided by IMC:

(1) business development and identification of collaboration opportunities in international jurisdictions;

(2) financial analysis services; and

(3) assistance with innovation projects, including identification of potential partners and service providers for such projects.

Under the Commercial Agreements, Focus has represented and warranted to IMC that it has received and shall maintain in good standing the License issued by the MOH. The current License permits Focus to cultivate, produce and sell cannabis and cannabis oil for medical purposes.

IMC's European Business

IMC believes that the key to its global expansion is penetration of the European market through the promotion of IMC's Brand as part of a wholly-owned distribution platform. IMC is looking at Europe as a key market for international growth.

IMC's strategy begins with Germany, currently the largest and most advanced medical cannabis market in Europe. To develop its operations, IMC acquired Adjupharm GmbH ("**Adjupharm**"), a licensed EU-GMP Standard producer and pharmaceutical distribution company with wholesale, narcotics handling and import licenses for medical cannabis. On March 15, 2019, IMC completed the acquisition of 100% of Adjupharm's issued and outstanding shares for €924,000 (approximately $1,400,000) with additional obligations to the sellers including repayment of bank loans of €720,000 (approximately $1,100,000). IMC appointed Richard Balla as chief executive officer of Adjupharm following the acquisition. As compensation, IMC transferred 5% of the issued and outstanding shares of Adjupharm to Mr. Balla.

Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMC has entered into strategic agreements with EU-GMP Standard suppliers, is in the process of setting up its own cultivation facilities or in partnership with local partners, and will promote the export of Focus' and other LPs' products from Israel once export is permitted by the MOH.

IMC is in the process of applying for a license to cultivate medical cannabis in Portugal and is exploring additional opportunities in other European jurisdictions in which medical cannabis is currently legal.

Reverse Takeover Transaction

On September 3, 2019, the Company announced the entering into of the Definitive Agreement with IMC, the terms and conditions of which the Company and IMC would complete the Reverse Takeover Transaction.

Subscription Receipt Financing

Additionally, and as contemplated by the terms of the Definitive Agreement, the Company concurrently announced the closing of a private placement offering of 19,048,326 subscription receipts (each a "**Subscription Receipt**") of a wholly owned subsidiary of the Company, Finco, at a price of $1.05 per Subscription Receipt (the "**Offering Price**") for aggregate gross proceeds of $20,000,742.30 (the "**Subscription Receipt Financing**"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Reverse Takeover Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "**Finco Unit**") with each Finco Unit being comprised of one (1) common share of Finco (a "**Finco Share**") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "**Finco Warrant**"). Each whole Finco Warrant would be exercisable for one Finco Share at an exercise price of $1.30 for a period of 24 months following the closing of the Reverse Takeover Transaction. Upon closing of the Reverse Takeover Transaction, the Finco Shares and Finco Warrants would be exchanged for Common Shares and Warrants on economically equivalent terms on a 1:1 basis.

Pursuant to the terms of the Subscription Receipt Financing, FinCo paid cash commissions in an aggregate amount of $1,259,292.70 and issued an aggregate of 1,199,326 FinCo Compensation Options to certain agents and advisors that brokered the Subscription Receipt Financing. Each FinCo Compensation Option was exercisable for one (1) FinCo unit at an exercise price of $1.05 per FinCo unit for a period of 36 months following the date of issuance. Each FinCo unit was comprised of one (1) compensation FinCo Share and one-half of one compensation FinCo Warrant, with each whole compensation FinCo Warrant exercisable to acquire one FinCo Share at a price of $1.30 for a period of 36 months following the date of issuance.

On October 9, 2019, the Company announced the closing of a second tranche of the Subscription Receipt Financing whereby an aggregate of 412,201 Subscription Receipts were issued and sold on a non-brokered basis at the Offering Price for aggregate gross proceeds of $432,811.05.

Closing of the Reverse Takeover Transaction

On October 11, 2019, the Company completed the Reverse Takeover Transaction, which was effected by way of a triangular merger involving the Company, IMC and a wholly-owned subsidiary of the Company, Subco1 (the "**Merger**"). Pursuant to the Merger, IMC shareholders exchanged their IMC Shares for Post-Consolidation Shares based on the Exchange Ratio with IMC becoming a wholly-owned subsidiary of the Company. In addition, all outstanding IMC Warrants, IMC Options and IMC Compensation Options were exchanged for Warrants, Options, and Compensation Options, respectively, based on the Exchange Ratio. An aggregate of 122,827,490 Common Shares and 11,413,750 Warrants were issued to former holders of IMC Shares and IMC Warrants.

Concurrently with and in connection with the closing of the Reverse Takeover Transaction, the net proceeds from the Subscription Receipt Financing were released from escrow and the Subscription Receipts were converted into 19,460,527 Finco Shares and 9,730,258 Finco Warrants. In accordance with the Definitive Agreement, the Company effected a three-cornered amalgamation involving the Company, Finco and the Company's wholly-owned subsidiary, Subco2, resulting in the issuance of Common Shares, Warrants and Compensation Options in exchange for Finco Shares, Finco Warrants and Finco Compensation Options, respectively, on a 1:1 basis. An aggregate of 19,460,527 Common Shares and 9,730,258 Warrants were issued to former holders of Subscription Receipts.

Immediately following the completion of the Reverse Takeover Transaction, former holders of IMC Shares held approximately 84.28% of the issued and outstanding Common Shares, former holders of Subscription Receipts held approximately 13.35% of the Common Shares, and pre-Reverse Takeover Transaction shareholders of the Company held 2.37% of the Common Shares, in each case, on a non-diluted basis.

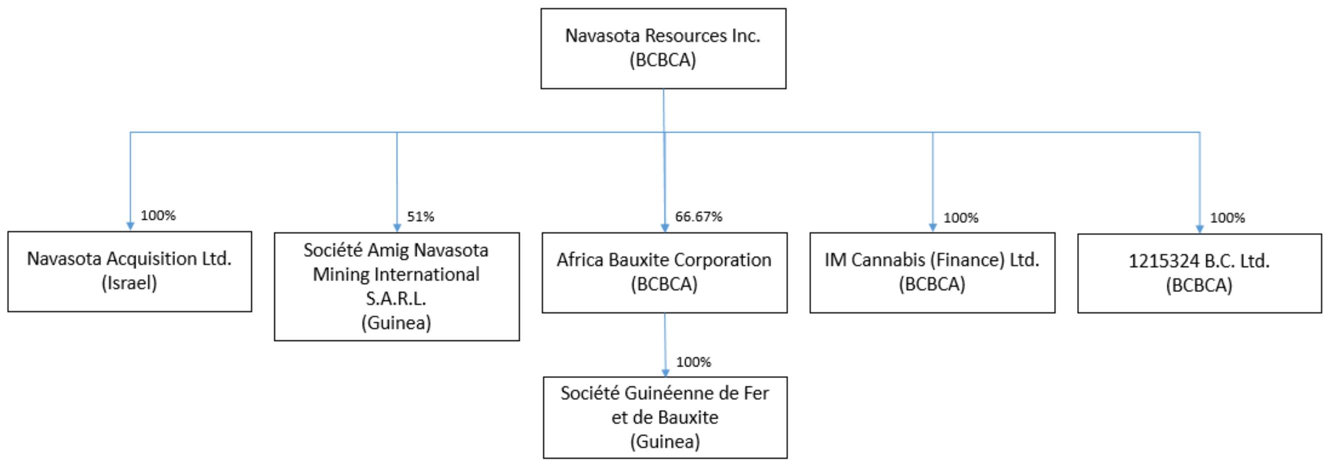
Pursuant to the terms of the RTO Transaction, the board of directors of the Company was reconstituted to consist of Messrs. Oren Shuster, Steven Mintz, Marc Lustig and Jesse Kaplan, with Mr. Shuster also becoming the Chief Executive Officer and Mr. Lustig becoming the Chairman. Mr. Shai Shemesh, Mr. Amir Goldstein and Ms. Yael Harrosh were appointed Chief Financial Officer, Chief Operating Officer and Corporate Secretary, respectively. For additional information on the directors and officers of the Company, please see "*Directors and Officers – Directors, Officers and Management of the Company*".

As at the date hereof, the outstanding capital of the Company consists of:

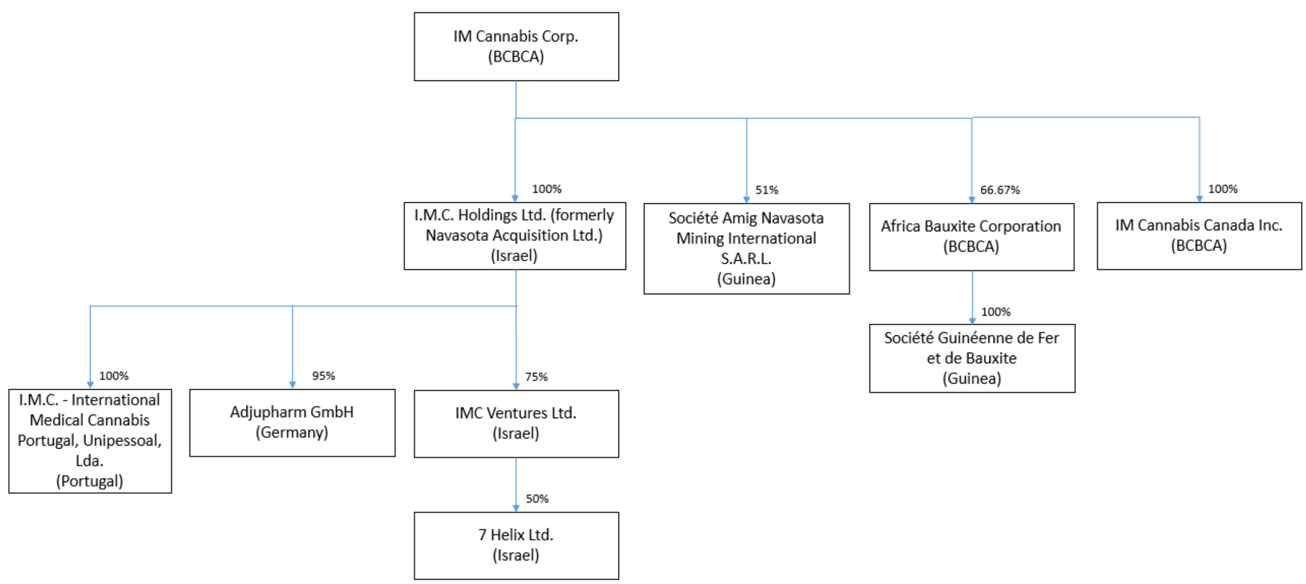
- 145,743,283 Common Shares;
- 12,300,000 Options;
- 21,850,698 Warrants; and
- 2,485,846 Compensation Options exercisable for up to 3,728,769 Common Shares.

For more information on the outstanding capital of the Company, please see "*Description of Securities*" and "*Capitalization*".

<u>Corporate Organizational Chart of the Company prior to the Reverse Takeover Transaction</u>:



<u>Corporate Organizational Chart of the Company following the Reverse Takeover Transaction</u>:



Current Subsidiaries and Affiliates	
Name	**Function or Purpose**
I.M.C. Holdings Ltd.	Holding company for the Company's Israel and Europe operations
I.M.C. – International Medical Cannabis Portugal, Unipessoal, Lda.	Operating company for the Company's Portugal operations
Adjupharm GmbH	Operating company for the Company's Germany operations
IMC Ventures	The Company's research and development entity
Société Amig Navasota Mining International S.A.R.L.	An inactive subsidiary with no mining assets or current operations
Africa Bauxite Corporation	An inactive subsidiary with no mining assets or current operations
Société Guinéenne de Fer et de Bauxite	An inactive subsidiary with no mining assets or current operations
IM Cannabis Canada Inc	The amalgamated company resulting from the amalgamation of Finco and Subco2
Entities that may be acquired under the Option Agreements	
Focus Medical Herbs Ltd.	Medical cannabis cultivation
IMC Pharma Ltd.	Applicant for a medical cannabis manufacturing license
I.M.C.C. Ltd.	Applicant for a medical cannabis distribution license

4. NARRATIVE DESCRIPTION OF THE BUSINESS

General Business of the Company

Israel

The principal business carried on by the Company is that of an international medical cannabis company operating in both developed and emerging medical cannabis markets. In Israel, the Company provides intellectual property licensing and services to licensed producers. Focus, with whom the Company has the Commercial Agreements to provide Focus with the intellectual property and know-how that Focus requires, is the first major Israeli licensed producer to utilize the Company's services. In addition, the Company holds the Option Agreements to purchase the Licensed Entities from the Principals in accordance with their terms.

Europe

The Company plans to replicate its Israeli business strategy in the European market by entering as a supplier and fully integrated provider of medical cannabis products. The Company has taken initial steps to implement this strategy by acquiring a licensed distributor in Germany and has secured a strategic supply agreement with a certified EU-GMP Standard producer based in Spain. The Company has commenced or is actively pursuing operations in Portugal and Greece.

Germany

The Company will continue to use Adjupharm as its European hub and expand its presence in the German market by forging partnerships with pharmacies and distributors across the country. There are approximately 20,000 pharmacies in Germany,[9] most of which are independent and active in the dispensation of medical cannabis. Led by Adjupharm Chief Executive Officer Richard Balla, the Company intends to work directly with other distributors to increase market reach for products bearing IMC's Brand to capture a significant market share by the end of the current financial year.

Currently, the Company has approximately 1,500 square feet of warehousing and GMP Standard production capacity in Germany and is expected to expand its facilities by an additional 1,500 square feet in 2020.

Through June 2019, the Company has entered into letters of intent with several German distribution entities for offtake amounts of approximately 5,750 kg of dried cannabis in 2019 and 2020 and approximately 1,650 kg of dried cannabis in 2021. The Company is currently exploring additional supply options with German licensed distributors.

Spain

On May 21st, 2019, the Company entered into a strategic supply agreement (the "**Spanish Supply Agreement**") with an international EU-GMP Standard pharmaceutical company based in Spain (the "**Spain Supplier**"). The Spain Supplier specializes in research and development, breeding, cultivation, extraction, purification and preparation of narcotic raw materials and active pharmaceutical ingredients.

The Spain Supplier is authorized by the Director of the Spanish Agency for Medications and Healthcare Products to engage in activities related to medical cannabis including cultivation, processing and export.

Under the Spanish Supply Agreement, the Company will offer IMC's Know-How in exchange for access to up to 18,000 kg of the Spain Supplier's cultivation capacity for a period of five years at 60% of the wholesale price. The Spain Supplier currently operates a facility of approximately 512,000 square foot, including approximately 384,000 square feet of greenhouse space. The Company will use IMC's Know-How to optimize the Spain Supplier's cultivation process with the intention of using the supply of medical cannabis to export to other jurisdictions in which medical cannabis is legal.

The Company will not maintain any active operations in Spain. The only connection to this jurisdiction is the Spanish Supply Agreement. The Company will distribute the medical cannabis yielded from the Spanish Supply Agreement to the German market through Adjupharm.

Portugal

The Company created IMC Portugal and is in the process of obtaining licenses to cultivate and produce medical cannabis. The Company intends to evaluate future growth opportunities once it successfully obtains the requisite medical cannabis licenses.

9 Federal Union of German Associations of Pharmacists 2018 German Pharmacies Report

Greece

The Company has entered into a letter of intent to establish a joint venture with Tethys Equity Ltd., a Greek medical cannabis license applicant in the process of building a low-cost cultivation and production facility. The Company's objective is to have production capacity of 6,000 kg in 2020 and 33,000 kg in 2021.

Business Objectives

The Company, using funds available as described in this Listing Statement, plans to expand operations domestically and globally. In the next 12 months, the Company anticipates (i) further growth of its Israeli IP and know-how licensing and services business by engaging with new entrants into the medical cannabis industry following implementation of the Road Map; and (ii) ongoing evaluation of European expansion opportunities either by acquisition or application for licenses in emerging markets. The Company expects to finance its growth strategies through equity, debt and cash flow from operations.

The future expansion of the Company will include the following milestones:

(a) **Enter the European market and position itself as a major supplier with vertically integrated cannabis operations including cultivation, inventory and distribution**

(i) Targeted completion date: By July 2020, the Company's objective is to have a fully operational European supply chain, sourcing medical cannabis from Spain and distributing in the German market. The Company's objective is to have the Greek cultivation and production facility commence production by the end of 2020. Portuguese production is anticipated for 2021 subject to applicable governmental and regulatory approvals.

(ii) Estimated cost:

(A) Inventory for the next 12 months: $4 million.

(B) Investment in IMC's market entry in Germany, along with working capital needs for expansion of Adjupharm's facility, human resources and sales and marketing capabilities: $2 million.

(C) The Company's portion of the construction cost of the Greek cultivation and production facility: $2.2 million.

(iii) Status: Currently, the Company operates Adjupharm in Germany and has signed letters of intent for wholesale distribution with German distributors, has a supply agreement with an EU-GMP Standard Spanish cultivator and is evaluating strategic partnerships with other EU-GMP Standard certified suppliers. The Company has commenced the license application process in Portugal and is finalizing terms of a partnership in Greece, as well as reviewing other opportunities to expand the reach of IMC's Brand in emerging European markets.

(iv) Additional requirements:

(A) Scaling up Adjupharm's human resources, including implementation of a comprehensive branding campaign and marketing plan for Germany.

(B) Successful license applications in Portugal and Greece.

(b) **Improve brand market share and brand recognition by increasing the licensing of IMC's IP in the Israeli and international medical cannabis industry**

(i) Targeted completion date: July 2020

(ii) Estimated cost: $4 million.

(iii) Status: Currently IMC is supporting Focus with IMC's IP as well as branding services, and in the process of evaluating financial support for the facility's expansion. New opportunities are being evaluated with additional license holders and new market entrants for IP licensing, strategy and branding services and financial support.

(iv) Additional requirements:

(A) Support and development of IMC's Brand with high profile thought leaders and physician education specialists.

(B) Engagement of a third party to complete an evidence-based validation of brand attributes.

(c) **Support research and development and new intellectual property development through IMC Ventures as well as investment in unique ventures related to medical cannabis technology, research and development and product development**

(i) Targeted completion date: Ongoing

(ii) Estimated cost: $5.5 million.

(iii) Status: The Company has established IMC Ventures as a research and development vehicle. It is now finalizing its investment in 7 Helix and is currently evaluating additional investment opportunities within the IMC Ventures framework as well as new product development.

(iv) Additional requirements:

(A) Ongoing identification and evaluation of prospective research and development projects and investment opportunities.

Available Funds

Other than revenue from the Commercial Agreements with Focus and the consolidated revenues from Adjupharm, the Company currently has no other amounts or sources of funds available to it, unless it pursues other financings or expands its operations. The Company intends to use, or will have used, the gross consolidated working capital as follows:

The Company had approximately $2,256,646 in opening consolidated working capital as at August 31, 2019. The following table sets forth the estimated working capital, amounts, and sources of other funds of the Company as at the dates indicated.

Source of Funds	Amount ($)
The Company's working capital as of August 31, 2019	2,256,646
Proceeds from the Subscription Receipt Financing net of commissions and expenses	19,174,261
TOTAL AVAILABLE FUNDS	**21,430,907**

The Company has approximately $21,430,907 in available funds. The principal use of the available funds is intended to be as follows.

Uses of Available Funds	Amount ($)
Israel expansion	4,000,000
Working capital for German distributor	2,000,000
Allocation for Germany inventory purchasing	4,000,000
Construction costs for Greek cultivation and production facility	2,200,000
Initial investment capital for IMC Ventures and investments	5,500,000
General corporate purposes and G&A expenses for 12 months following the completion of the Reverse Takeover Transaction (net of cash flow from operations)	2,250,000
Unallocated working capital	1,480,907
TOTAL	**21,430,907**

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Issuer will be available, if required.

Principal Products and Services

The Company derives its revenues from indirect sales of Focus products bearing IMC's Brand pursuant to the Commercial Agreements. The following tables show the sales figures in dollars and grams for the two most recently completed financial years.

Revenue By Strain, in $ (000's)				
	DQ	Roma	Other	Total
2018	1,167	1,609	2,420	5,197
2017	1,154	955	2,284	4,393

Production by Product Type						
		2017			**2018**	
	g	$	% of total	g	$	% of total
Trim & Inflorescence	903,136	3,698	84%	1,355,370	4,375	84%
Rolled	98,384	403	9%	147,648	476	9%
Oil	71,378	292	7%	107,119	346	7%
Total	**1,072,897**	**4,393**	**100%**	**1,610,137**	**5,197**	**100%**

Notes:

(1) The above is historical information. As a result of the IMC Restructuring, neither the Company nor IMC currently holds any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel.

As the Israeli market re-organizes for the Road Map implementation, many new participants and newly licensed companies are preparing to enter the market. IMC's Brand, IMC's Technology, IMC's Know-How and its general industry expertise derived from nine years of fully-integrated operations are valuable assets to these new entrants. The Company's experience with breeding, cultivation, production processes, technologies, brand building and marketing led to the pivot from its business as an LP to the licensing of established brands and consulting with incoming licensed participants in Israel.

Currently, the Company's Israel operations rely on one key customer under the Commercial Agreements. Any change to the status of the Commercial Agreements in the 12 months following the date of this Listing Statement could materially impact Israel revenues and operations. A description of the Commercial Agreements can be found in "*General Development of the Business – IMC – IMC Restructuring – The Commercial Agreements*".

In Europe, IMC intends to apply its industry expertise and leverage the goodwill of IMC's IP to enter several markets with products bearing IMC's Brand to establish operations in new markets with high growth potential. An example of the Company using IMC's IP to advance its market position is the Spanish Supply Agreement.

IMC's Brand

IMC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. IMC's Brand in Israel has become synonymous with quality, purity and consistency.

There are currently a number of dried medical cannabis products and medical cannabis oil products bearing IMC's Brand in distribution in the Israeli market. The Company anticipates launching a similar product line in certain European markets by the end of 2019.

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Strain	**THC/CBD Content**	**Usage**
Dairy Queen Sativa 40 / Indica 60	THC: 17-21% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box Sativa 70 / Indica 30	THC: 17-20% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety; treats depression, migraines and nausea.
Roma Indica Dominant	THC: 26-30% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London Indica Dominant	THC: 14-18% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety, PTSD.
Tel Aviv Sativa 80 / Indica 20	THC:11-19% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of eating disorders and anxiety.
Paris Sativa 40 / Indica 60	THC: 7-9% CBD: 9-13%	In Israel, has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.

MEDICAL CANNABIS OIL PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Name	**THC/CBD Content**	**Description**
Medical Cannabis Oil	THC: 10% CBD: 2%	In Israel, has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil – Forte	THC: 15% CBD: 3%	In Israel, has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4%	In Israel, has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

IMC is a registered trade name in Israel valid through May 2027. The name was submitted for registration in November 2017 in Germany, Canada and Portugal. IMC received approval from regulatory authorities in Germany during the second quarter of 2019. In Portugal, protection of trademark has been granted during the second quarter of 2019. In Canada, there is already a trademark registered under the IMC name which designates various food supplements, vitamins, minerals and proteins. IMC has responded to the authorities' letter regarding the other trademark with description of the differences between the fields of operation between the different names. IMC is waiting for reply from the authorities.

IMC's Know-How

Nine years of experience in cultivating, breeding and processing cannabis has been accumulated by IMC's team, led by master grower Doron Reznik. The quality, aesthetic appeal and consistency of Mr. Reznik's cultivation was essential to Focus' success and IMC has retained Mr. Reznik to consult with new licensed producers in Israel and abroad and oversee cultivation in Germany.

IMC's Technology

IMC has developed proprietary industrial cannabis processing machinery, which enables significant automation and cost reduction in the cannabis post-harvest and production processes. IMC is in the process of applying to patent this technology.

Medical Cannabis Regulatory Framework in Jurisdictions where the Company Operates

To operate its business, the Company must abide by applicable medical cannabis laws in all countries in which it operates. Each jurisdiction has unique laws and regulations on the cultivation, production, distribution, use and export of medical cannabis and the current regulatory frameworks continue to evolve. The Company cooperates with regulatory authorities in the jurisdictions in which it operates to ensure that it is at all times in full compliance with applicable laws, rules and regulations.

Israel

In general, Israeli law defines cannabis as a dangerous drug.[10] However, the Israeli government acknowledged that cannabis-based products may assist patients with certain medical conditions,[11] and pursuant to the National Medical Cannabis Program (the "**NMCP**"), the MOH is authorized to issue permits related to the use of cannabis for medicinal purposes. Additionally, as further detailed below, the NMCP provides for a regulatory "road map" for the licensing and operations of commercial medical cannabis facilities in Israel.

Pursuant to Government Res. No. 3069, published on August 7, 2011, the foundations for Israel's NMCP were laid, and the IMCA has been established in order to regulate the medical cannabis program.[12]

Further down the road, Israel began establishing and broadening the scope of the NMCP, based on Israeli government resolutions and administrative orders issued by the MOH, all under the control, licensing and supervision by the IMCA of the entire operation chain of the cannabis sector.[13]

Medical Use

The IMCA is the authorized MOH agency responsible for reviewing applications and issuing permits to hold and use medical cannabis products pursuant to Procedure 106 of the MOH ("**Procedure 106**").[14]

Currently, Procedure 106 sets out a list of medical conditions which may be treated with medical cannabis. For medical conditions which are not listed in the Procedure 106, patients can apply for an exception on extraordinary grounds.

It is estimated that 0.41% of the Israeli adult population are licensed to order medical cannabis once per month. According to MOH data from December 2018, there are 30,484 licensed users of medical cannabis in Israel. At current regulated prices of NIS 316 per licensed user (net of VAT), the market is estimated at approximately $42,800,000.

Regulatory Framework for the Establishment of Commercial Cannabis Facilities in Israel: Licensing and Authorization

Pursuant to the NMCP, the MOH issued regulations effective as of November 2018 that standardize the licensing process of growers, manufacturers, suppliers and pharmacies wishing to take part in commercial activities in the field of medical cannabis. These regulations were incorporated into the Road Map, which was last updated on November 2018.

The Road Map requires that an entity in the medical cannabis field operate exclusively in one of the following sectors: (i) breeding of medical cannabis; (ii) cultivation of medical cannabis; (iii) manufacturing of medical cannabis related products; or (iv) distribution of medical cannabis products and shall obtain

10 Cannabis belongs to schedule 1 of the Dangerous Drugs Ordinance [New Version], 1973 [Hebrew] https://www.health.gov.il/LegislationLibrary/Samim_01_EN.pdf

11 Israeli Government Res. No. 1587 [Hebrew], June 26, 2016 https://www.gov.il/he/departments/policies/2016_dec1587a

12 Israeli Government Res. No. 3609 [Hebrew], August 7th, 2011 https://www.gov.il/he/Departments/policies/2011_des3609

13 Israeli Government Res. No. 1050 [Hebrew], December 15th, 2013 https://www.knesset.gov.il/committees/heb/material/data/avoda2014-01-15-02.pdf

14 Ministry of Health Pharmaceutical Division Policy Number 106 – Licenses for Use of Cannabis https://www.health.gov.il/hozer/DR_106.pdf (in Hebrew)

a specific license for such sector. The introduction of the Road Map nullified all previous licenses granted by the MOH (which permitted simultaneous operation in various medical cannabis sectors), and any entity wishing to operate in the medical cannabis field upon the implementation of the Road Map must obtain a specific license corresponding to the specific sector such entity wishes to operate in. There is an exception permitting breeding and cultivation licenses to be granted to the same entity. These changes are not effective until the execution of the Road Map, which is anticipated to occur in the summer of 2019. In the interim, Codes were issued to qualified applicants that will be replaced, subject to compliance with MOH Regulations, by New Licenses.

The IMCA announced that implementation of the Road Map would be delayed from its initial date of April 1, 2019 until the end of April due to a general election on April 9, 2019. This was further delayed until late 2019.

The below sets forth the outline of the principles of the authorization process pursuant to the Road Map. However, each regulatory step or certification may require the applicant to provide the MOH with additional information, authorizations, permits and/or approvals from different governmental bodies.

As a preliminary step prior to applying for any of the licenses detailed below, an applicant must first apply for a Code and a permit to act in the cannabis field, issued by the IMCA, in which the applicant is required to declare for which licenses it intends to apply for.

The following is the list of New Licenses which, with certain exceptions (for example, breeding and cultivation), must be held by separate legal entities:

- License for a medical cannabis breeding facility
- License for a medical cannabis cultivation facility (this license may be held in conjunction with the above medical cannabis breeding facility license)
- License for a medical cannabis products manufacturing facility
- License for a medical cannabis storage and retail facility
- License for a pharmacy authorised to distribute medical cannabis.
- Other license for the destruction, transportation and research and development activities with respect to medical cannabis.

New Licenses are not currently transferable, exchangeable or assignable. They are valid for a period of up to 3 years and may be renewed with the approval of the IMCA.

After review and approval of the application for the Code as per the applicable New License requested, the applicant may initiate the process of planning, design and construction/adjustment of the medical cannabis site as per the applicable New License for which the Code has been issued.

For each type of New License, the MOH determined a set of directives with procedures and requirements which the applicant must comply with, each to be evidenced by an official certificate issued by a MOH-approved entity. As of now, the different procedures are as follows:

- Directive 151 - GAP Standard certification. This directive sets the norms and standards for growing medical cannabis, and is required for a cultivation license and for a breeding license.

- Directive 152 – GMP Standard certification. This directive provides the IMC-GMP rules and standards for the creation and production of medical cannabis goods and is required for a manufacturing license.

- Directive 153 - GDP Standard certification. This directive sets the conditions for the proper storage and delivery of medical cannabis products, and is required for transportation, storage and distribution licenses.

In addition to the above certifications required per each type of New License, all type of New Licenses also requires an applicant to obtain a GSP Standard certification pursuant to Directive 150.[15]

Changes under the MOH Regulations

In the past, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed.

Under the MOH Regulations, patients will now obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. The Company does not expect this breakdown to materially change under the new MOH Regulations.

Medical Cannabis Exports

The Israeli government approved the Export Reform in January 2019 and it is anticipated that the LPs who receive export licenses from the MOH will begin exporting medical cannabis products following the September 2019 general election, subject to compliance by such LPs with the regulations set or which shall be set by the MOH.

In August 2017, an inter-ministerial committee of the MOH and Ministry of Economy issued a report which estimated that exports of medical cannabis could add up to NIS 4,000,000,000 (approximately $1,400,000,000) [16] to the Israeli economy. An inter-disciplinary government committee with representatives from the Ministries of Agriculture, Justice, Economics and Homeland Security, co-led by the heads of Ministry of Finance and MOH, has been studying the cannabis market industry in Israel. Its final recommendation was to approve the export of cannabis from Israel.

On December 25, 2018, Israel's parliament passed an amendment to the Dangerous Drugs Ordinance[17] that empowers the Israeli police to supervise licensing granted in relation to cannabis. The new amendment to the law also addresses foreign investors – assigning authority to the police to approve shareholders of licensed entities and deferring to a specially nominated committee with representatives from the Ministry of Homeland Security, the police, Ministry of Finance, Ministry of Economy and the MOH, in case the police are unable to come to a decision. This amendment paved the way for the significant governmental decision to approve export of cannabis from Israel.

15 Directive 150 [Hebrew] https://www.health.gov.il/hozer/mmk150_2016.pdf

16 https://mof.gov.il/Releases/Pages/kanabis_refuei.aspx

17 https://m.knesset.gov.il/News/PressReleases/pages/press25.12.18i.aspx

On January 27, 2019, Israeli Parliament approved a bill that allows the export from Israel of GAP Standard certified medical cannabis products.[18] The implementation of the export is still pending for the instruction of the relevant authorities.

Europe

Germany

On March 10, 2017, the German federal government enacted bill Bundestag-Drucksache 18/8965 – *Law amending narcotics and other regulations* ("**BT-Drs. 18/8965**") that amended existing narcotics legislation to recognize cannabis as a form of medicine and allow for the importation and domestic cultivation of medical cannabis. Under the updated legislation, cannabis is listed in Annex 3 to the Federal Narcotics Act ("**BtMG**") as "marketable narcotic suitable for prescription". Legalization in Germany applies only to cannabis "stemming from cultivation for medicinal purposes under state control subject to the Single Convention of 1961 on Narcotics." This allows for the importing of medical cannabis as well as for related domestic cultivation subject to certain regulations.[19]

In connection with the coming into force of BT-Drs. 18/8965, Germany's Federal Institute for Drugs and Medical Devices ("**BfArM**") formed a cannabis division (the "**Cannabis Agency**") to oversee cultivation, harvesting, processing, quality control, storage, packaging and distribution to wholesalers, pharmacists and manufacturers. The Cannabis Agency also regulates pricing of German-produced cannabis and buys and sells cannabis to manufacturers, wholesalers and pharmacies on a revenue neutral basis.[20]

In late 2018, the Cannabis Agency issued a call for tenders to award licenses for greenhouse cultivation and retail sale. Following a legal proceeding regarding the initial tender process, BfArM relaunched the application process and in April 2019 selected 13 cultivation lots to receive licenses from a total of 79 applications received. Each license permitted the holder to grow up to 200 kg per year for total production of 2,600 per year collectively from the 13 cultivation lots and 10,400 kg over the four year license period. BfArM expects the first harvest from the first round of licensees to be completed by the end of 2020.[21]

The current regime permits the importation of cannabis plants and plant parts for medicinal purposes under state control subject to the requirements under the United Nations Single Convention on Narcotic Drugs of 1961 ("**UN Single Convention**"). German legislation does not provide for quantitative restrictions on importation, but requires importers to apply for licenses under the BtMG. As a prerequisite to obtaining a German import license, the applicant must have EU-GMP Standard and EU-GACP Standard certification. Cannabis intended for import must originate in the country of origin from cultivation for medical purposes under state control in accordance with Articles 23 and 28(1) of the UN Single Convention. While these requirements also apply to the exportation of medical cannabis, as a matter of principle, the regime for the domestic cultivation of medical cannabis precludes any direct sales to domestic or international third parties other than BfArM.

Medical cannabis imported under the UN Single Convention pursuant to a license under the BtMG is sold by pharmacists to patients on a prescription basis as magistral preparations. Typical preparations are the testing and dosing of pre-packaged cannabis flowers (typically referred to as "floss"), for oral administration (dronabinol), for inhalation upon evaporation, or as teas. Medical cannabis is also

18 https://www.gov.il/he/departments/news/press_27012019

19 http://dipbt.bundestag.de/extrakt/ba/WP18/740/74012.html

20 www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/_node.html

21 www.bfarm.de/SharedDocs/Pressemitteilungen/DE/2019/pm4-2019.html

marketable as a pre-packaged, licensed drug. Medical cannabis grown domestically in Germany will be manufactured for and distributed by BfArM.

Portugal

Regulation around medical cannabis in Portugal dates back to Article 4 of the Portuguese *Legal Regime Applicable to the Trafficking and Consumption of Narcotic Drugs and Psychotropic Substances* and Decree-Law no. 15/93, of January 1993 ("**DL 15/93**"), which provided the initial legal framework in Portugal for the cultivation, production, manufacture, distribution, wholesale trade, import, export, transportation, possession and use of narcotic drugs and psychotropic substances, including certain cannabis-related substances. DL 15/93 is regulated by Regulatory-Decree 61/94 ("**RD 61/94**"), which establishes rules relating to: (i) cultivation and production; (ii) wholesale trade; (iii) delivery conditions; (iv) record keeping; (v) packaging and labelling; (vi) licensing requirements; and (vii) reporting obligations.[22]

Medical cannabis activities in Portugal are currently regulated by Law No. 33/2018 – *Cannabis for Medical Purposes Act*,[23] adopted on July 18, 2018 (the "**Portuguese Cannabis Law for Medical Purposes**"), as supplemented by Law No. 8/2019 and various laws, regulations, and policies adopted by the Portuguese Government in relation thereto (collectively, "**Portuguese Cannabis Law**").[24] The Portuguese Cannabis Law for Medical Purposes regulates all activities relating to medical cannabis, including its cultivation, production, extraction, manufacture, wholesale trade, import and export, transit, purchase, sale, and delivery, and also establishes certain principles and objectives pertaining to the prescription and dispensation of medical cannabis in pharmacies, the dissemination of relevant information to medical professionals relating to the use of medical cannabis and the "placing on the market" of medical cannabis products (which is defined as the "first making available of a product on the European Union market" by the European Commission).

The Portuguese legal framework for medical cannabis products implements, and is subject to, certain laws, regulations, guidelines, and ordinances adopted by the European Union and the various governmental organizations and agencies governed by the European Union. Law 176/2006 requires companies that cultivate, harvest, and collect cannabis to manufacture, process, package, and store active pharmaceutical ingredients to adhere to the EU-GACP Standard.[25]

In addition, companies in Portugal that manufacture medical cannabis products intended for human consumption are regulated by the EU-GMP Standard, which sets out the principles and guidelines of good manufacturing practices in relation to all issues, operations and processes that are key to determining the quality of active substances, such as quality management, personnel, premises and equipment, documentation, material management, production, in-process quality controls, packaging, labelling, laboratory controls, returns, complaints and recalls, contracting out and repackaging.[26]

All permits and licences necessary to propagate, cultivate, manufacture and process medical cannabis in Portugal are overseen by the National Authority for Medicines and Health Products, I.P. ("**INFARMED**"). INFARMED evaluates, authorizes, supervises, regulates and enforces all activities regulated under the Portuguese Cannabis Law for Medical Purposes. An independent regulatory

22 https://dre.pt/web/guest/legislacao-consolidada/-/lc/58872437/view?q=15%2F93

23 Diário da República, 1.ª série — N.º 137 — 18 de julho de 2018 3241, https://dre.pt/application/file/a/115712610

24 http://www.infarmed.pt/web/infarmed/canabis-medicinal

25 Legislação Farmacêutica Compilada Decreto-Lei n.º 176/2006, de 30 de Agosto https://www.infarmed.pt/documents/15786/1068535/035-E_DL_176_2006_11ALT/d2ae048e-547e-4c5c-873e-b41004b9027f

26 EudraLex - Volume 4 - Good Manufacturing Practice (GMP) guidelines, https://ec.europa.eu/health/documents/eudralex/vol-4_en

organization operating under the oversight and supervision of the Minister of Health, INFARMED is responsible for a wide array of health-related policies and regulations in Portugal, including, among other things:

(1) the formulation of national health policy;

(2) the regulation of examinations for medical indications, medicines and health products;

(3) the regulation, evaluation, authorization, disciplining, monitoring of actors involved in the medical health field; and

(4) oversight of research, production, distribution, marketing and use of medicines for human use and other health products, and further acts as the Portuguese Government's liaison with the EMA and the European Commission, amongst other European institutions.[27]

In accordance with the Portuguese Cannabis Law for Medical Purposes, the prescription of medical cannabis and cannabis products to patients in Portugal will only be permitted when conventional medicines fail to produce the expected effect or produce relevant adverse side effects, and furthermore will only be permitted for the treatment of those conditions expressly permitted by INFARMED from time to time, which currently include:[28]

(1) Spasticity associated with multiple sclerosis or spinal cord injuries;

(2) Nausea, vomiting (resulting from chemotherapy, radiation therapy and combined HIV therapy and hepatitis C medication);

(3) Appetite stimulation in palliative care of patients undergoing oncological or AIDS treatment;

(4) Chronic pain (associated with oncological or nervous system diseases such as neuropathic pain caused by nerve damage, phantom limb pain, trigeminal neuralgia, or postherpetic neuralgia);

(5) Gilles de la Tourette syndrome;

(6) Epilepsy and treatment of severe seizure disorders in childhood, such as the Dravet and Lennox-Gastaut syndromes; and

(7) Therapy-resistant glaucoma.

The Portuguese legal framework for medical cannabis and medical cannabis products is nascent and subject to ongoing review and development by INFARMED and the Portuguese Government. It is expected that the regulatory regime will continue to evolve as the market matures.

27 http://www.infarmed.pt/web/infarmed-en/about-infarmed

28 DELIBERAÇÃO N.º 11/CD/2019, http://www.infarmed.pt/documents/15786/2893227/lista+das+indica%C3%A7%C3%B5es+terap%C3%AAuticas+aprovadas+para+as+prepara%C3%A7%C3%B5es+e+subst%C3%A2ncias+%C3%A0+base+da+planta+da+can%C3%A1bis/294b3a2d-326b-46c3-9c08-a3b57427d027

Licenses

Under Decree-Law no. 8/2019,[29] each aspect of medical cannabis operations in Portugal requires a separate licence from INFARMED, including in respect of:

(1) the cultivation of cannabis for medical purposes;

(2) the production of drugs, preparations and substances derived from cannabinoids for medical purposes;

(3) the import and export of drugs, preparations and substances derived from cannabinoids for medical purposes;

(4) wholesale activity in respect of drugs, preparations and substances derived from cannabinoids for medical purposes; and

(5) the placement in the market of preparations and substances derived from cannabinoids for medical purpose.

To be granted a license, an applicant must submit all necessary documentation (including fulsome plans and descriptions of the applicant's intended cultivation or manufacturing facilities, if applicable) and must, among other things, meet the following standards of good practices with respect to their proposed activities related to the cultivation, manufacture, wholesale trade, import, export or transit of medicinal products, preparations or substances based on the cannabis plant for medicinal purposes:

(1) EU-GMP and EU-GACP standards;

(2) Good practices in the manufacture of medicines, as provided for in Law No. 176/2006, which establishes the legal regime for medicinal products for human use; and

(3) Good practices for the distribution of active substances and medicinal products, as established within the framework of the European Union.

Any applicant intending to carry out cultivation or manufacturing activities as set out above must also have a security officer who meets the requirements of INFARMED's Director of Security, as set out in the applicable regulations.

Once issued, a licence granted by INFARMED is generally effective for a period of one year from the date of issuance, subject to an automatic renewal unless INFARMED states its intention to object to the renewal at least 90 days prior to the end of the then-current term.

Permit holders must remain compliant with the requirements and restrictions of their permits, which generally include, among other things, that:

(1) the permits and licences granted by INFARMED are temporary and non-transferable, and cannot be used by anyone else;

29 https://dre.pt/web/guest/home/-/dre/117821810/details/maximized?res=en

(2) the holder of the licence must maintain sufficient records, including in respect of the stages of development of any cannabis plants cultivated by the licence holder, and the place of origin and the destination of any cannabis products used in or derived from such production activities;

(3) any cultivation or production surplus above the quantities authorized under the terms of the holder's licence may not exceed 10% of the quantities so authorized and may only be permitted if notice is provided to INFARMED within 15 days of such surplus amounts being detected; and

(4) the licence holder must provide notice to INFARMED of any change to its management, corporate name or headquarters, provided that any change in management must be accompanied by satisfactory criminal record checks in respect of the new management personnel.

To the extent a permit holder is found in breach of any such licence requirements, INFARMED has the right to impose sanctions, including, among other things, the revocation of such holder's licence. INFARMED may audit any licence holder at any time to determine such licence holder's compliance with the restrictions and reporting requirements imposed under Portuguese Cannabis Law.

Greece

The production, possession, transfer, storage, supply of raw materials and substances of cannabis varieties with THC content of greater than 0.2%, as well as the establishment and operation of a rendering unit for the processing and production of final pharmaceutical cannabis products is legal in Greece and governed by Law no. 4139/2013 (as amended by Laws no. 4523/2018 and 4554/2018)[30] as well as by the delegated Ministerial Decisions.[31]

Taking into account the resemblance or differentiation of cannabis compared to other substances, as well as the relevant international guidelines for the classification of narcotic drugs, article 1 of Law 4523/2018 introduces an exception to paragraph 2 of article 2 of Law 4139/2013 "on addictive substances and other provisions", for cannabis varieties of Cannabis Sativa L with a THC content greater than 0.2%. With this exception, it is possible, under strict conditions, for natural and legal persons to produce cannabis varieties with THC content greater than 0.2% for the sole purpose of producing end-products of medical cannabis to either be supplied to the state monopoly with the aim of being available to patients or exported for medical purposes. Cannabis varieties with THC content of up to 0.2% are outside the scope of this regulation, since, according to paragraph 3 of Article 1 of Law 4139/2013, these are not considered as narcotic drugs.

This legislation is necessary in so far as cannabis remains classified as a drug under Law 4139/2013 and is therefore under the control of the state monopoly. In this context, under the new rules, the production, possession, transport, storage and supply of raw materials and substances of cannabis varieties with THC content greater than 0.2% is permitted under certain terms and conditions, as well as the establishment and operation of a processing unit for the manufacturing and production of finished

30 Official Gazette: Law 4139/2013 (A' 74), Law 4523/2018 (A' 41), Law 4554/2018 (A' 130) and Law 4601/2019 (A' 44). http://www.minagric.gr/images/stories/en_docs/CANNABIS/EOF_REGULATION__FINAL310119.pdf

31 Joint Ministerial Decision 51483/700/Φ15/2018 (Official Gazette, B' 1692) as amended by Joint Ministerial Decisions 103057/1342/Φ15/2018 (Official Gazette, B' 4426) and 118694/1485/Φ15/2018 (Official Gazette, B' 5129). http://www.minagric.gr/images/stories/docs/agrotis/KANABH/kya51483_150518.pdf; http://www.ggb.gr/sites/default/files/basic-page-files/%CE%9A%CE%A5%CE%91%20%CE%BF%CE%B9%CE%BA.%20103057-1342-%CE%A615-2018.pdf; http://www.ggb.gr/sites/default/files/basic-page-files/%CE%9A%CE%A5%CE%91%20%CE%B1%CF%81%CE%B9%CE%B8%CE%BC.%20118694-1485-%CE%A615-2018.pdf

medicinal cannabis products for the exclusive purpose of either supplying the State monopoly and disposing for medical purposes or exporting.[32]

Licenses

Licensing for the abovementioned activities is governed by a joint decision of the Ministry of Economy and Development, Ministry of Health and Ministry of Rural Development of Food. The distribution and sale of these products to individuals are prohibited.

Under the licensing regime, Greek regulatory authorities provide non-transferable approvals for the conduct of the abovementioned activities,[33] meaning the legal entity that obtains the license is forbidden to assign or outsource to any third party any cannabis related activities under its license.[34]

The Directorate for Business Licensing and Business Parks of the General Secretariat for Industry, under the Ministry of Economy and Development (the "**GGB**") oversees the administration of establishment and operation approvals for the production, possession, transfer, storage, supply of raw materials and substances of cannabis varieties with THC content greater than 0.2%, as well as the establishment and operation of a rendering unit for the processing and production of final pharmaceutical cannabis products.[35]

The establishment approval is granted by decision of the Ministry of Economy and Development, Health and Rural Development and Food within 30 days of the submission of the application and is valid for 5 years.[36]

Within 15 days of its granting, the GGB conducts an on-the-spot inspection in order to ascertain the application's accuracy. If the rectification of any deviations or deficiencies is not feasible, then the establishment approval is withdrawn.[37]

The abovementioned process is also the mechanism for the granting of an operation approval. Once granted, this approval is valid for 10 years. The on-the-spot inspection is conducted by the GGB within 2 months of the issuance of the approval.

Licensees are obligated to re-submit to the GGB certain updated supporting documents required for an establishment approval, along with certain updated supporting documents required for an operation approval on an annual basis, starting the year following the issuance of the approval.

Production and Trade License

The license for the production and distribution to the state monopoly of pharmaceutical cannabis for medical reasons to an entity that has received establishment and operation approval is issued by the National Organization for Medicines ("**NOM**"), a public entity of the Ministry of Health, by virtue of Law 1316/1983, which constitutes the main national regulatory authority with regard to medicinal products

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32 Article 2A par. 2 of Law 4139/2013. http://www.opengov.gr/ministryofjustice/?p=8238

33 *Ibid.*

34 Article 2 of JMD 51483/700/Φ15/2018. http://www.minagric.gr/images/stories/docs/agrotis/KANABH/kya51483_150518.pdf

35 Article 1, section B par. 1 of JMD 51483/700/Φ15/2018. http://www.minagric.gr/images/stories/docs/agrotis/KANABH/kya51483_150518.pdf

36 *Ibid.*

37 *Ibid.*

for human and veterinary use, drugs, foodstuffs intended for particular nutritional uses and food supplements, biocides, cosmetics and medical devices in Greece.

For all pharmaceutical cannabis final products with a THC content of more than 0.2%, whether intended for domestic sale or export, as well as for all pharmaceutical cannabis final products imported into Greece, a special approval for circulation is required from NOM that is valid for 3 years.

Medical Cannabis Market Overview

Israel

The Israeli medical cannabis market is estimated at approximately US$40 million today based on consumption by more than 30,000[38] users at a monthly cost of NIS 316.

Following the implementation of the Road Map, IMC expects the Israeli medical cannabis market to experience exponential growth in the short term future for several reasons, including:

(1) price increases;

(2) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;

(3) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;

(4) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process;

(5) expansion of the list of ailments and diseases for which medical cannabis can be prescribed[39] to conditions affecting, according to IMC's estimates, approximately 2-4% of the population.[40]

Upon implementation of the Road Map, medical cannabis will be distributed to patients through pharmacies as any other medicine. IMC anticipates that the same percentage of patients will continue to choose the option of home delivery.

Europe

Germany

Germany has the largest economy in Europe[41] and is considered a leader in the European cannabis industry. The medical cannabis market in Germany is expected to grow from €73.6 million in 2018 to

38 Based on MOH data disclosed by the Movement for Freedom of Information https://www.meida.org.il/?p=8905

39 Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017. https://www.health.gov.il/hozer/mmk154_2016.pdf

40 https://www.health.gov.il/English/Topics/cannabis/Pages/default.aspx

41 https://www.worldatlas.com/articles/the-biggest-economies-in-europe.html

€7.7 billion by 2028,[42] ranking Germany as Europe's largest potential market.

With the coming into force of BT-Drs. 18/8965, eligible patients, as previously described, have a legal claim for the supply with medical cannabis. Since legalization, physicians have been able to prescribe cannabis-containing pharmaceuticals to patients with a serious disease for which there is no equivalent option for medical treatment.[43]

BT-Drs. 18/8965 covers the prescription of cannabis in the form of dried flowers or extracts in standardized quality and drugs with the active substances dronabinol or nabilone.[44]

For cannabis flowers, physicians may prescribe a maximum amount of 100 g per month. All medical practitioners are permitted to prescribe medical cannabis and cannabis-related drugs.[45]

Both cannabis flowers and any preparations of cannabis (e.g. extracts) can be imported for medicinal purposes. The distribution channels used by manufacturers and distributors are identical to those used for the distribution of other medicinal products.[46]

The Company believes that the emergence of the German medical cannabis market has boosted the patient base significantly. While there is no central registry of patients, local estimates currently suggest numbers in the 40,000 to 60,000 range.[47][48]

Medical cannabis is sold to patients by pharmacists on a prescription only basis as magistral preparations. Typical preparations are the testing and dosing of pre-packaged cannabis flowers (typically referred to as "floss"), for oral administration (dronabinol), for inhalation upon evaporation, or as teas.

Portugal

The Company's expansion into Portugal is in its preliminary stage. There are no current operations in the jurisdiction nor does the Company have any licences to cultivate or produce medical cannabis or cannabis products in Portugal as of the date of this Listing Statement. The existing Portuguese medical cannabis regulatory regime and medical cannabis market continue to evolve and may be materially different when the Company commences operations.

Currently, cannabis-based medicines are available only with a doctor's prescription and sold only in pharmacies, and all items will need to be licensed by INFARMED. Personal cultivation for medical use remains against the law.[49]

42 THE EUROPEAN CANNABIS REPORT™ | 4TH EDITION Prohibition Partners http://prohibitionpartners.com/reports/The%20European%20Cannabis%20Report%E2%84%A2%204th%20Edition.pdf

43 https://www.gesetze-im-internet.de/sgb_5/__31.html

44 *Ibid.*

45 https://dacnrf.pharmazeutische-zeitung.de/index.php?id=299; http://www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Hinweise_Aerzte/_node.html; http://www.gesetze-im-internet.de/btmvv_1998/BJNR008000998.html

46 www.bfarm.de/DE/Bundesopiumstelle/Cannabis/Cannabisagentur/_node.html

47 https://amp.handelsblatt.com/unternehmen/industrie/aok-tk-und-barmer-immer-mehr-deutsche-patienten-bekommen-cannabis-auf-rezept/23954602.html

48 https://hanfverband.de/nachrichten/pressemitteilungen/licht-und-viel-schatten-bei-cannabis-als-medizin

49 *https://www.leafly.com/news/politics/portugal-approves-use-of-cannabis-based-medicines*

Greece

The Company's expansion into Greece is in its preliminary stage. There are no current operations in the jurisdiction nor does the Company have any licences to cultivate or produce medical cannabis or cannabis products in Greece as of the date of this Listing Statement. The existing Greek medical cannabis regulatory regime and medical cannabis market continue to evolve and may be materially different when the Company commences operations.

Under Greece's current licensing regime, medical cannabis products are available by prescription from pharmacies. Government officials have announced that medical cannabis products will not be subsidised through state health insurance schemes.[50]

Competitive Environment

The medical cannabis industry in which IMC operates is, and will continue to be, very competitive. Medical cannabis companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. The cannabis sector is in a hyper growth phase, with market participants engaged in significant expansion across global legal jurisdictions. The Company anticipates achieving leadership in the cannabis industry through brand recognition, superior margins gained from a fully integrated business, and leveraging of its vast know-how and experience.

The Company and IMC face competition in Israel among similar intellectual property-related service providers and from other established brands in the market. IMC expects that its experience and track record attained via its previous Focus operations will distinguish its offerings from competitors.

The Company and IMC's European operations will face competition from other entities licensed to cultivate, produce and distribute medical cannabis in each respective jurisdiction. In Germany, Adjupharm will compete with a number of licensed distributors including currently established entities and expected new market entrants. Competitors vary from well capitalized businesses with substantial operations and revenues to smaller or newer market entrants. In Portugal, there are a number of international cannabis companies already licensed and cultivating medical cannabis in the jurisdiction with the intention of exporting products to Germany and other European markets. In Greece, many companies are in the process of applying for licenses for cultivation and production.

Material Restructuring

Prior to completing the Reverse Takeover Transaction, IMC completed the IMC Restructuring as detailed in "*General Development of the Business – IMC – IMC Restructuring*". Subsequent to the IMC Restructuring, in accordance with IFRS 10, the Company is still viewed as effectively exercising control over Focus and therefore continues to consolidate Focus in its financial statements.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Information of the Company

The Company has incurred costs in seeking, evaluating and negotiating a potential reverse takeover transaction, and in meeting the disclosure obligations imposed upon it as a reporting issuer. The following table sets out selected historical financial information for the Company for the interim periods ended July 31, 2019 and years ended April 30, 2019, 2018 and 2017. Such information is derived from the unaudited financial statements of the Company for the three-month period ended July 31, 2019 and

50 https://uk.reuters.com/article/uk-greece-medicine-cannabis/greece-eyes-pot-of-gold-as-medicinal-cannabis-licensed-idUKKCN1NO20R

the audited financial statements of the Company for the years ended April 30, 2019 and April 30, 2018. These financials should be read in conjunction with such financial statements. See “Appendix B – Financial Statements of the Company”.

	Period Ended July 31, 2019 ($)	Year Ended April 30, 2019 ($)	Year Ended April 30, 2018 ($)	Year Ended April 30, 2017 ($)
Revenue	Nil	Nil	Nil	Nil
Total Expenses	440	122,668	124,970	15,250
Net income (loss)	(440)	(122,668)	(124,970)	(15,250)
Current Assets	41,111	37,002	9,142	275
Total Assets	41,112	37,003	9,143	276
Current Liabilities	256,199	251,650	465,985	432,148
Total Liabilities	256,199	251,650	465,985	432,148
Shareholders’ equity (deficiency)	(215,087)	(214,647)	(456,842)	(431,872)

Annual Information of IMC

The following table presents selected historical financial information for IMC as at the dates and for the interim periods ended March 31, 2019 and June 30, 2019 and years ended December 31, 2018, 2017 and 2016. Such information is derived from the unaudited financial statements of IMC for the interim periods ended March 31, 2019 and June 30, 2019 and the audited financial statements of IMC for the years ended December 31, 2018, 2017 and 2016. The below financial information should be read in conjunction with such financial statements. See “Appendix C – *Financial Statements of IMC*”.

	Period ended June 30, 2019 (unaudited) ($)	Period ended March 31, 2019 (unaudited) ($)	Year ended December 31, 2018 (audited) ($)	Year ended December 31, 2017 (audited) ($)	Year ended December 31, 2016 (audited) ($)
Revenue	4,269,000	1,955,000	5,197,000	4,393,000	2,477,000
Total expenses	11,466,000	8,546,000	2,570,000	3,666,000	1,772,000
Net income (loss)	(7,197,000)	(6,591,000)	2,627,000	727,000	705,000
Current assets	10,884,000	12,454,000	13,614,000	3,124,000	1,532,000
Total assets	15,852,000	17,336,000	14,994,000	3,643,000	1,698,000
Current liabilities	1,760,000	3,164,000	1,307,000	1,395,000	373,000
Total liabilities	10,083,000	11,599,000	3,383,000	1,846,000	664,000
Shareholders’ equity (deficiency)	5,769,000	5,737,000	11,611,000	1,797,000	1,035,000

Quarterly Financial Information of the Company

The results for each of the eight most recently completed quarters of the Company ending at the end of the most recently completed interim period, being July 31, 2019, are summarized below:

	FISCAL 2018			FISCAL 2019				FISCAL 2020
	Q2 ($)	Q3 ($)	Q4 ($)	Q1 ($)	Q2 ($)	Q3 ($)	Q4 ($)	Q1 ($)
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (loss)	(10,380)	(20,443)	(92,561)	(60,985)	(26,932)	(7,398)	(27,353)	(440)

Semi-Annual Financial Information of IMC

The following table presents selected unaudited financial information for IMC for each of the four most recently completed six month periods ending at June 30, 2019:

	2017	2018		2019
	H2 ($)	H1 ($)	H2 ($)	H1 ($)
Total Revenues	2,574,000	2,382,000	2,815,000	4,269,000
Net Income (loss)	426,000	(55,000)	2,682,000	(7,197,000)

Pro Forma Financial Information of the Company

The following table presents selected unaudited pro forma financial information for the Company for the interim period ending June 30, 2019 and the year ended December 31, 2018. The pro forma financial information gives effect to the Reverse Takeover Transaction and the acquisition of Adjupharm. The below financial information should be read in conjunction with such pro formal financial statements. See "Appendix C – *Financial Statements of the Company*".

	Period ended June 30, 2019 ($)	Year ended December 31, 2018 ($)
Revenue	4,269,000	5,934,000
Total expenses	15,682,000	8,396,000
Net income (loss)	(11,413,000)	(2,462,000)
Current assets	30,304,000	32,146,000
Total assets	35,224,000	35,733,000
Current liabilities	3,070,000	4,578,000
Total liabilities	11,382,000	6,910,000
Shareholders' equity (deficiency)	23,842,000	28,823,000

Dividends

Neither the Company nor IMC has paid any dividends during the financial periods noted above.

There are no restrictions in the Company's articles or by-laws that could prevent the Company from paying dividends. The payment of any dividends on the Common Shares is not anticipated in the foreseeable future. Any decision to pay dividends on its shares will be made by the Board on the basis of its earnings, financial requirements and other conditions existing at such future time.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis for the interim period ended July 31, 2019 and for the years ended April 30, 2019 and April 30, 2018 are attached hereto as "Appendix D – *MD&A of the Company*".

IMC's management discussion and analysis for the interim periods ended March 31, 2019 and June 30, 2019 and for the years ended December 31, 2018, 2017 and 2016 are attached hereto as "Appendix E – *MD&A of IMC*".

7. MARKET FOR SECURITIES

There is currently no market for the common shares of the Company or IMC as they are not currently listed and posted on any stock exchange. The Common Shares were delisted from the NEX Board of the TSXV at the close of trading on June 18, 2018.

8. CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of the Company after giving effect to the Reverse Takeover Transaction:

Security	**Authorized**	**Outstanding as at the date hereof (after giving effect to the Reverse Takeover Transaction)**
Common Shares	Unlimited	145,743,283
Options (1)	Up to 10% of the outstanding Common Shares	12,300,000
Warrants(2)	Unlimited	21,850,698
Compensation Options(3)	Unlimited	2,485,846

Notes:

(1) 12,250,000 Options are exercisable for one Common Share at an exercise price of $0.40 per share until the expiry date. 50,000 Options are exercisable for one Common Share at an exercise price of $1.05 per share until the expiry date.

(2) 11,413,750 Warrants are exercisable for one Common Share at an exercise price of $0.50 per share for a period of 24 months from the date of issuance and 706,713 Warrants are exercisable for one Common Share at an exercise price of $0.28 per share for a period of 6 months following the date on which the Common Shares are listed for trading on the CSE. 9,730,235 Warrants are exercisable for one Common Share at an exercise price of $1.30 per share for a period of 24 months from the date of issuance.

(3) 1,286,520 Compensation Options are exercisable for one unit at an exercise price of $0.40 per unit for a period of 24 months following the date of issuance, with each unit consisting of one compensation Common Share and one-half of one compensation Warrant, with each whole compensation Warrant exercisable to acquire one Common Share at a price of $0.50. 1,199,326 Compensation Options are exercisable for one unit at an exercise price of $1.05 per unit for a period of 36 months following the date of issuance. Each unit consists of one compensation Common Share and one-half of one compensation Warrant, with each whole compensation Warrant exercisable to acquire one Common Share at a price of $1.30 for a period of 36 months following the date of issuance. Collectively, the Compensation Options are exercisable for up to 3,728,769 Common Shares.

9. OPTIONS TO PURCHASE SECURITIES

The Company has a stock option plan (the "**Stock Option Plan**") whereby a rolling maximum of 10% of the issued and outstanding Common Shares may be reserved for issuance pursuant to the exercise of Options. The term of the Options granted are fixed by the board of directors, and are not to exceed 10 years. The exercise prices of the Options are determined by the board of directors, but shall not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options.

The Options vest immediately on the date of grant unless otherwise required by the CSE, however, a four-month hold period applies to all shares issued under each Option, commencing on the date issued. Common Shares may be granted to any one individual in any 12 month period; no more than 2% of the issued Common Shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for any grant of Options to insiders, within a 12 month period, exceeding 5% of the issued Common Shares; and Options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of Common Shares.

The Stock Option Plan was last approved by shareholders on June 5, 2018 and contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change in the common shares, a merger or other relevant changes in the Company's capitalization. The Board may from time to time amend or reverse the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

Pursuant to the Reverse Takeover Transaction, Options were issued to IMC Option holders in exchange for their IMC Options in accordance with the Exchange Ratio. The IMC Options were subsequently canceled.

Currently there are 12,300,000 Options issued and outstanding under the Stock Option Plan. The following table sets out all Options:

Category	Number of Options to acquire Common Shares held as group
All executive officers and past executive officers of the Company and all directors and past directors of the Company who are not also executive officers(1)	8,720,000
All executive officers and past executive officers of all subsidiaries of the Company and all directors and past directors of all subsidiaries of the Company who are not also executive officers(2)	360,000
All other employees and past employees of the Company	2,470,000
All other employees and past employees of subsidiaries of the Company	0
All consultants of the Company	750,000
TOTAL OUTSTANDING OPTIONS	**12,300,000**

Notes:
(1) Includes 3 executive officers and 4 directors.
(2) Includes 1 executive officer.

The following table provides information as to material provisions of the Options that are outstanding:

Date of Grant	Number of Options	Exercise Price	Expiry Date
January 4, 2019	6,110,000	$0.40	January 4, 2029
February 3, 2019	300,000	$0.40	February 3,2029
April 7, 2019	250,000	$0.40	April 7, 2029
April 28, 2019	10,000	$0.40	April 28, 2029
May 13, 2019	10,000	$0.40	May 13, 2029
July 30, 2019	360,000	$0.40	July 30, 2029
August 11, 2019	330,000	$0.40	August 11, 2029
September 11, 2019	4,880,000	$0.40	September 11, 2029
October 7, 2019	50,000	$1.05	October 7, 2022
TOTAL	**12,300,000**		

10. DESCRIPTION OF SECURITIES

The Company

Common Shares

The authorized capital of the Company consists of an unlimited number of Common Shares issuable in series which may contain the rights, privileges and restrictions as determined by the Board. Holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per share at meetings of shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

There are currently 145,743,283 Common Shares issued and outstanding.

Warrants

In May and June 2018, IMC completed a private placement where it issued units of IMC, including 1,141,375 IMC Warrants. Each IMC Warrant could be exercised by the holder thereof to acquire one IMC Share at a price of $5.00 per IMC Warrant for a period of 24 months from the date of issuance.

In connection with the Subscription Receipt Financing, FinCo issued 9,730,235 FinCo Warrants. Each FinCo Warrant could be exercised by the holder thereof to acquire one FinCo Share at a price of $1.30 per FinCo Share for a period of 24 months from the date of issuance.

Pursuant to the Reverse Takeover Transaction, (i) Warrants were issued to the holders of IMC Warrants in exchange and replacement for the IMC Warrants in accordance with the Exchange Ratio and the IMC Warrants were subsequently canceled; and (ii) Warrants were issued to the holders of FinCo Warrants in exchange and replacement for the FinCo Warrants on a 1:1 basis and the FinCo Warrants were subsequently canceled.

As a result of the exchanges, the Company now has a total of 21,850,698 Warrants issued and outstanding, of which:

(a) 11,413,750 Warrants are exercisable for one Common Share at a price of $0.50;

(b) 706,713 Warrants are exercisable for one Common Share at a price of $0.28; and

(c) 9,730,235 Warrants are exercisable at a price of $1.30.

Options

See “*Options to Purchase Securities*”.

There are currently 12,300,000 Options issued and outstanding.

Compensation Options

IMC issued a total of 128,652 IMC Compensation Options to dealers and agents in connection with the 2018 Private Placements, with each IMC Compensation Option entitling the holder to purchase one unit at a price of $4.00 for a period of 24 months following the date of issuance. Each unit consists of one compensation IMC Share and one-half of one compensation IMC Warrant, with each whole IMC Warrant exercisable to acquire one IMC Share at a price of $5.00.

In connection with the Subscription Receipt Financing, FinCo issued an aggregate of 1,199,326 FinCo Compensation Options to certain agents and advisors. Each FinCo Compensation Option is exercisable for one FinCo unit at an exercise price of $1.05 per FinCo unit for a period of 36 months following the date of issuance. Each FinCo unit consists of one compensation FinCo Share and one-half of one compensation FinCo Warrant, with each whole compensation FinCo Warrant exercisable to acquire one FinCo Share at a price of $1.30 for a period of 36 months following the date of issuance.

Pursuant to the Reverse Takeover Transaction, Compensation Options were issued to the holders of IMC Compensation Options in exchange and replacement for the IMC Compensation Options in accordance with the Exchange Ratio. The IMC Compensation Options were subsequently canceled. Compensation Options were issued in exchange and replacement for the FinCo Compensation Options on a 1:1 basis. The FinCo Compensation Options were subsequently canceled.

Following the exchange, the Company had a total of 2,485,846 Compensation Options issued and outstanding, of which:

(a) 1,286,520 Compensation Options are each exercisable for one unit at a price of $0.40 for a period of 24 months following the date of issuance. Each unit consists of one compensation Common Share and one-half of one compensation Warrant, with each whole Warrant exercisable to acquire one Common Share at a price of $0.50; and

(b) 1,199,326 Compensation Options are each exercisable for one unit at an exercise price of $1.05 for a period of 36 months following the date of issuance. Each unit consists of one compensation Common Share and one-half of one compensation Warrant, with each whole compensation Warrant exercisable to acquire one Common Share at a price of $1.30 for a period of 36 months following the date of issuance.

Prior Sales

The Company

The following table summarizes the issuances of securities of the Company over the last 24 months.

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
April 13, 2018	Private Placement(1)	$0.01(2)	10,000,000(3)
June 25, 2018	Debt Settlement(4)	$0.05(5)	5,712,660(6)
October 9, 2019	Option Grant(7)	$1.05	50,000

Notes:

(1) The Company applied the net proceeds from this private placement towards general working capital purposes, and the expenditures it incurred in connection with the Reverse Takeover Transaction.

(2) The Company issued units at a price of $0.01 per unit, with each unit being comprised of one (1) Common Share and one (1) Warrant exercisable into one (1) Common Share at a price of $0.02 per share. Following the issuance of such units, the Company effected (i) a consolidation of its Common Shares on the basis of one (1) post-consolidation Common Share for each five (5) pre-consolidation Common Shares; and (ii) the Consolidation, resulting in the effective purchase price of the units being $0.1415 and the effective exercise price of the Warrants being $0.2830.

(3) Following both of the above-noted share consolidations, the effective number of units issued pursuant to this private placement was 706,714.

(4) The Company entered into this debt settlement transaction since it was motivated to reduce its liabilities but did not have sufficient cash on hand to do so by repaying such liabilities in cash. The debt settlement transaction involved the issuance of 3,705,682 Common Shares (or 64.87% of the total Common Shares issued pursuant to the debt settlement) to five (5) persons that each held, prior to the debt settlement transactions, 10% or more of the outstanding Common Shares.

(5) The Company issued Common Shares at a price of $0.05 per share. Following the issuance of such Common Shares, the Company effected the Consolidation, resulting in the effective purchase price of the Common Shares being $0.1415.

(6) Following the Consolidation, the effective number of Common Shares issued pursuant to this debt settlement was 2,018,608.

(7) The Company issued 25,000 Options to each of Navjit Dhaliwal and Balu Gopalakrishnan, both then directors of the Company. Each Option is exercisable for one Common Share at an exercise price of $1.05 for a period of three (3) years.

FinCo

The following table summarizes the issuance of securities of FinCo since incorporation on July 5, 2019. The FinCo securities were exchanged for securities of the Company on a 1:1 basis upon completion of the Reverse Takeover Transaction.

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
August 30, 2019	Subscription Receipt Financing – Tranche 1(1)	$1.05	19,048,326(2)
October 9, 2019	Subscription Receipt Financing – Tranche 2	$1.05	412,201(2)

Notes:

(1) The Company issued 1,199,326 FinCo Compensation Options to certain agents and advisors each exercisable for one unit at an exercise price of $1.05 per unit for a period of 36 months following the date of issuance. Each unit consists of one compensation FinCo Share and one-half of one compensation FinCo Warrant, with each whole compensation FinCo Warrant exercisable to acquire one FinCo Share at a price of $1.30 for a period of 36 months following the date of issuance.

(2) The Company issued Subscription Receipts at a price of $1.05 per Subscription Receipt, with each Subscription Receipt being exchangeable for one unit comprised of one FinCo Share and one-half of one FinCo Warrant. Each whole FinCo Warrant is exercisable into one FinCo Share at a price of $1.30 per share for a period of 24 months from the date of issuance.

IMC

The following table summarizes the issuances of securities of IMC since incorporation on January 16, 2018. The IMC securities were exchanged for securities of the Company on a 10:1 basis in accordance with the Exchange Ratio upon completion of the Reverse Takeover Transaction.

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
May 23, 2018	Private placement to Canadian subscribers – Tranche 1(1)	$4.00(3)	830,500(2)
June 7, 2018	Private placement to Canadian subscribers – Tranche 2(1)	$4.00(3)	805,250(2)
June 26, 2018	Private placement to Israeli subscribers	$4.00(3)	469,250(2)
June 27, 2018	Private placement to U.S. subscribers	$4.00(3)	177,750(2)

Notes:

(1) IMC issued 128,652 IMC Compensation Options to certain agents each exercisable for one unit at an exercise price of $4.00 per unit for a period of 24 months following the date of issuance. Each unit consists of one compensation IMC Share and one-half of one compensation IMC Warrant, with each whole compensation IMC Warrant exercisable to acquire one IMC Share at a price of $5.00 for a period of 24 months following the date of issuance.

(2) IMC issued units at a price of $4.00 per unit, with each unit being comprised of one Common Share and one-half of one Warrant exercisable into one Common Share at a price of $1.30 per share for a period of 24 months from the date of issuance.

(3) An aggregate of 22,827,500 Common Shares, 11,413,750 Warrants and 1,286,520 Compensation Options were exchanged for IMC Shares, IMC Warrants and IMC Compensation Options, respectively, pursuant to the Exchange Ratio upon completion of the Reverse Takeover Transaction. As a result, the effective exercise price of each Warrant is $0.50 and the effective exercise price of each Compensation Options is $0.40, with each compensation Warrant exercisable for an effective exercise price of $0.50.

Stock Exchange Price

None of the securities of the Company or IMC are currently posted for trading on any stock exchange.

11. ESCROWED SECURITIES

The Company is an "exempt issuer" as such term is contemplated in section 3.2(b) of National Policy 46-201 – *Escrow for Initial Public Offerings* ("**NP 46-201**"). As such, the Company's securities are exempt from the escrow requirements set out in NP 46-201.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, only the following shareholders beneficially own or exercise control or direction over Common Shares carrying more than 10% of the votes attached to such Common Shares:

Name and Municipality of Residence	Type of Ownership	Number of Common Shares	Percentage of Outstanding Common Shares (Non-Diluted)(1)	Percentage of Outstanding Common Shares (Fully Diluted)(2)
Oren Shuster(3)	Registered and Beneficial	36,534,409	25.07%	19.90%
Rafael Gabay(4)	Registered and Beneficial	32,558,139	22.34%	17.73%

Notes:

(1) Based on 145,743,283 common shares issued and outstanding on a non-diluted basis.

(2) Based on 183,622,750 common shares issued and outstanding on a fully-diluted basis.

(3) In addition to the Common Shares noted above, Mr. Shuster holds 23,810 Warrants and 2,000,000 Options.

(4) In addition to the Common Shares noted above, Mr. Gabay holds 23,810 Warrants.

Messrs. Shuster and Gabay are both insiders of the Company and are the Principals who currently own each of Focus, IMC Pharma and IMCC, entities with which the Company has entered into the Commercial Agreements in respect of. Messrs. Shuster and Gabay may influence the Company by virtue of owning the entities through which the Company derives a significant portion of its Israeli revenue.

13. DIRECTORS AND OFFICERS

Directors, Officers and Management of the Company

The following table lists the names and municipalities of residence of the directors, officers, and promoters of the Company, their current and anticipated positions and offices with the Company, respectively, their principal occupations during the last five years and the number and percentage of

Common Shares anticipated to be owned, directly or indirectly, or over which control or discretion is exercised by each.

Name and Municipality of Residence	Office with Company	Principal Occupation and Positions Held During the Last 5 Years	Number and Percentage of Common Shares Owned, Beneficially Held or Controlled upon Completion of the Reverse Takeover Transaction(1)(2)
Oren Shuster(3) *Ra'anana, Israel*	Chief Executive Officer and Director	CEO of IMC since 2008; Co-CEO of Ewave Group Ltd. since 1999.	36,534,409 (25.07%)
Shai Shemesh *Petach-Tikva, Israel*	Chief Financial Officer	CFO of IMC since 2019; CFO of Sadyt Israel and IVM Minrav-Sadyt from 2011 to 2019.	47,619 (<1%)
Amir Goldstein *Ramat Hasharon, Israel*	Chief Operating Officer	Chairman of the board of Klikit Ltd. since 2007; Managing Partner of Afterdox since 2007; Chairman of the board at Todacell from 2013 to 2015.	225,000 (<1%)
Yael Harrosh *Tel Aviv, Israel*	Corporate Secretary	Business and Compliance Manager of IMC since 2018; Legal Counsel and Deputy CEO at ProMarket Group from 2016 to 2018; Advocate at AYR Law Firm, Israel from 2015 to 2016.	Nil
Jesse Kaplan(3)(4) *Toronto, Ontario*	Director	Investment Banking at First Republic Capital Corporation since 2012; Managing Partner at Seek Capital Ltd. since 2010; Partner at Plazacorp Ventures since 2010.	1,250,000 (<1%)
Steven Mintz(3) *Toronto, Ontario*	Director	President of St. Germain Capital Corp. since 1998; Principal and CFO of Minkids Group since 2015.	791,348 (<1%)
Marc Lustig *West Vancouver, British Columbia*	Director and Chairman	Founder, Chairman and Chief Executive Officer of CannaRoyalty Corp. (dba Origin House) since 2016; Head of Capital Markets at Dundee Capital Markets from 2012 to 2014.	1,575,213 (1.08%)

Notes:

(1) Assumes 145,743,283 Common Shares issued and outstanding.
(2) Does not include the 37,879,467 Common Shares issuable on the exercise of outstanding Options, Warrants and Compensation Options.
(3) Member of the Audit Committee.
(4) 125,000 shares held directly by Jesse Kaplan; 625,000 shares held by Rocfrim, an entity of which 25% is owned by Jesse Kaplan; and 500,000 shares held by Seek Capital Opportunity Partnership, an entity of which 12.5% is owned by Jesse Kaplan.

Each of the directors of the Company will hold office until the next annual meeting of the shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the Company's articles or by-laws.

The following biographies provide certain selected information in respect of the persons who will be serving as directors, officers and/or management of the Company:

Oren Shuster, age 50, Chief Executive Officer and Director

Mr. Shuster is a leading figure in the medical cannabis industry in Israel and the co-founder of IMC. Mr. Shuster is a successful serial entrepreneur in the fields of global software development, technology, med-tech and more. Mr. Shuster co-founded E-wave, an international software house, in 1999. E-wave employs more than 1,000 experienced software professionals, operating in the USA, Europe, Brazil, India and Israel. Oren holds a Bachelor of Arts in business management and economics from Tel-Aviv University.

Mr. Shuster serves as CEO of the Company as an employee on a full-time basis. Mr. Shuster has entered into a standard non-competition agreement as part of his employment agreement.

Shai Shemesh, age 40, Chief Financial Officer

Mr. Shemesh is an experienced CFO with nearly 15 years of business experience in the construction, renewable energy, pharmaceutical, infrastructure and services industries. From 2011 to 2019, Mr. Shemesh led all finance and operations management of Sadyt Israel, the Israeli branch of an international water treatment and engineering company based in Spain, and IVM Minrav-Sadyt, a Spanish-Israeli consortium that built the multi-million dollar water desalination plant in Ashdod, Israel. Between 2007 and 2009, Mr. Shemesh served as Financial Controller of the Israeli branch of Boston Scientific. Shai worked as Supervising Auditor at PwC Israel between 2005 and 2009. Shai holds a Certified Public Accountant (Isr.) diploma, a Bachelor of Arts in Accounting, Economics and Business Management from the Tel Aviv University, and an MBA from IE Business School in Madrid.

Mr. Shemesh serves as CFO of the Company as an employee on a full-time basis. Mr. Shemesh has entered into a standard non-competition agreement as part of his employment agreement.

Amir Goldstein, age 58, Chief Operating Officer

Mr. Goldstein is a seasoned executive in the Israeli hi-tech industry with over 30 years of experience. Mr. Goldstein served in various managerial positions at Amdocs, the world leader in telecom billing and customer care software. Mr. Goldstein was also a founder and Executive Vice President at Cellcom Ltd., Israel's leading mobile operator, from 1994 to 2000, Chairman and CEO of Todacell Inc., an international mobile advertising company, between 2013 and 2015, and has served as a Managing Partner of two private equity funds, Botticelli (2000-2003) and Afterdox (2007 to present). Amir has been Chairman of the board at Klikit Ltd. since 2007. Amir holds Bachelor of Arts in economics from Tel-Aviv University.

Mr. Goldstein serves as COO of the Company as an employee on a full-time basis. Mr. Goldstein has entered into a standard non-competition agreement as part of his employment agreement.

Yael Harrosh, age 30, Corporate Secretary

Ms. Harrosh is an experienced lawyer, with extensive training in commercial and civil litigation as well as corporate law and contracts in two major Israeli law firms. Over the past five years, Ms. Harrosh has applied her commercial expertise as legal advisor and deputy CEO of Promarket, a leading Israel media group. Ms. Harrosh graduated *cum laude* from the Faculty of Law of the Hebrew University of Jerusalem.

Ms. Harrosh has served as Business and Compliance Manager of IMC since 2018 on a full-time basis. Ms. Harrosh has entered into a standard non-competition agreement as part of her employment agreement.

Marc Lustig, age 45, Director and Chairman

Mr. Lustig began his professional career in the pharmaceutical industry at Merck & Co. In 2000, he started his capital markets career in institutional equity research in the Life Sciences sector at Orion Securities. For the next 14 years, Mr. Lustig worked as a senior producer at GMP Securities L.P. and as Head of Capital Markets at Dundee Capital Markets before becoming Principal at KES 7 Capital. Mr. Lustig founded Cannabis Royalties & Holdings Corp. in early 2015. He is active in the cannabis industry as Founder, Chairman and CEO of CannaRoyalty Corp. (dba Origin House), Chairman at Trichome Financial Corp. and Chairman at National Access Cannabis. Mr. Lustig holds MSc and MBA degrees from McGill University.

Steven Mintz, age 52, Director

Mr. Mintz, CPA, is a financial consultant in a variety of industries including mining, oil and gas, real estate and cannabis. He is currently President of St. Germain Capital Corp. a private consulting and investment firm as well as Principal and CFO of the Minkids Group, a family investment and real estate development company since 2015. Mr. Mintz's experience spans a variety of financial and management areas of expertise from accounting in large firms to bankruptcy and insolvency. Mr. Mintz has been operating as an investor and shareholder in the cannabis space for 4 years. He has conducted due diligence on many active companies and completed several business combinations of companies. Mr. Mintz obtained his Chartered Accountant designation in June of 1992 and Trustee in Bankruptcy license in 1995. Mr. Mintz is currently a director of several public companies.

Jesse Kaplan, age 36, Director

Mr. Kaplan has been a member of the investment banking group of First Republic Capital Corp. since 2012, the managing partner of Seek Capital Ltd. since 2010 and a partner at Plazacorp Ventures since March 2010. His career has focused on advising and investing in early stage growth companies. This has included extensive work helping companies through the process of going public in both Canada and the United States. Mr. Kaplan was previously a senior analyst at Harborview Advisors LLC, a New York based investment firm and Palladium Capital Advisors, LLC, a NASD member investment bank. He has sat on the boards of a number of public and private companies in Canada and is an active investor in the cannabis sector. Mr. Kaplan holds a Bachelor of Commerce degree from the University of Toronto and a CFA designation.

Language Barriers

Taken together the members of the board of directors and the executive officers have adequate command of English, which will be adopted as the main language of the Company. Their oral skills are satisfactory and they have demonstrated an ability to address inquiries by way of written communication, and as such we don't foresee a language barrier. The directors and executive officers of the Company that are fluent in Hebrew are as follows: Oren Shuster, Shai Shemesh, Amir Goldstein and Yael Harrosh. Yael Harrosh, who is fluent in both Hebrew and English will act as a lead liaison for the Company in respect of communications with investors, regulatory authorities and other counterparties after completion of the Reverse Takeover Transaction. English will be the main language of the Company, the material documents relating to the Company will be drawn up in English. While Hebrew is the official language of the State of Israel, a significant proportion of Israel's population has a basic knowledge of English or better. In addition, it is also a common practice for Israel based companies who conduct international business to conduct their business in English. As such, the Company does not foresee that significant changes will be needed to make language-related accommodations for the board members who do not have a command of Hebrew. While the Company does not anticipate that this will be the case, if the material documents of the Company are drawn up in a language other than English (for example, in a jurisdiction outside of Israel or Canada, where English is not an official language), the Company intends to employ the services of an independent licensed translator before the documents are presented to the board in both, English and the native formats. Since English will be the main language of the Company, it will not be employing a special communications plan.

Resignation and Removal of Directors and Officers of IMC

IMC is a wholly-owned Israeli subsidiary of the Company. Pursuant to the Companies Law, directors of an Israeli company such as IMC may be removed or may resign from their position as directors of a company in the following manner:

(a) Resignation of a director – (1) pursuant to section 229(a)-(c) of the Companies Law, a director of a company may resign by providing a resignation notice to the board of directors of the company, to the chairman of the company or to the company and such resignation shall take effect upon the delivery of such notice or at a later date, if specified under such notice; (2) the director shall specify in the resignation notice the reason for such resignation; (3) following the receipt of the resignation notice, the board of directors will specify, in the minutes of the first meeting of directors subsequent to the resignation, the resignation of the resigning director and his or her reasons.

(b) Removal by Shareholders – (1) Pursuant to section 230(a)-(b) of the Companies Law, a director may be removed at a general meeting of shareholders, at any time, unless otherwise provided in the articles of association, provided that the director shall be given the opportunity to put his or her case before the general meeting. Where the articles of association contain a provision whereby a director may be appointed to hold office otherwise than by the general meeting, such person may only be removed from office by the person entitled to appoint him or her and in the manner prescribed for such in the articles of association, unless otherwise provided in the articles of association; (2) Pursuant to section 231 of the Companies Law, where a company becomes aware that a director was appointed contrary to the provisions of sections 226,226a or 227(a) of the Companies Law, the board of directors shall resolve, at its first meeting convened after becoming so aware, to terminate the office of such director, if it finds that the said conditions are fulfilled, and such office shall expire on the date of such resolution; (3) Pursuant to section 232 of the Companies Law, where a director has been convicted by a final judgment of an offense provided in sections 226(a)(1) or (a1) the Companies Law, such director shall notify the company of his or her conviction and shall be removed from his or her position upon the provision of such notification to the Company; (4) Pursuant to section 232a to the Companies Law, if the Administrative Enforcement Committee decides to impose upon a person enforcement measures prohibiting him or her from serving as a director of a public company or in a specific company in which such individual acts as a director, he or she shall so inform the company and such director's office shall terminate on the date of giving such notice. The company shall not be entitled to re-appoint such individual as a member of its board of directors until the expiry of such prohibition.

(c) Removal by Court Ruling: Pursuant to section 233 of the Companies Law, an Israeli court may, on application of the company, a director, shareholder or creditor, order the termination of the office of a director if it finds that the director is permanently unable to fulfill his or her function or he or she was found guilty in a court outside Israel of offenses referred to in the Companies Law.

Pursuant to the Companies Law, officers of an Israeli company may be removed in the following manner:

Pursuant to section 250 of the Companies Law, the general manager of a company is appointed and dismissed at the discretion of the board of directors unless otherwise determined in the articles of association. Pursuant to section 251 of the Companies Law, Office Holders (as defined herein) of a company, other than directors and the General Manager, are appointed and dismissed in a private company by the board of directors. An "**Office Holder**" is defined in the Companies Law as: "a director, general manager, chief business manager, deputy general manager, vice-general manager, any person filling any of these positions in a company even if he holds a different title, and any other director or manager directly subordinate to the general manager."

Based on the foregoing, as the sole shareholder of IMC, the Company will be able to remove or replace directors of IMC at will, and through its control of the board of directors of IMC, the Company can instruct the directors of IMC to appoint or dismiss officers of IMC at will.

Penalties and Sanctions

No director, officer, promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Corporate Cease Trade Orders or Bankruptcies

No director, officer, promoter of the Company, or a securityholder anticipated to hold sufficient securities of the Company to affect materially the control of the Company, within 10 years before the date of this Listing Statement, has been, a director or officer of any other issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under British Columbia securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and promoters of the Company will be subject with respect to the operations of the Company. Certain directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company will be engaged in direct competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers conflicts of interest, including the procedures prescribed by the BCBCA. The BCBCA requires that directors and officers of the Company, who are also directors or officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and, in certain instances, refrain from voting on any resolution of the Company's directors to approve the contract.

Other Reporting Issuer Experience

The following directors, officers or promoters of the Company are, or within the past five (5) years have been, directors, officers or promoters of the following reporting issuers:

Name	Name of Reporting Issuer	Name of Exchange or Market	Position	From	To
Marc Lustig	National Access Cannabis Corp.	TSXV	Director	6/2014	Present
	22 Capital Corp.	TSXV	Director	5/2017	Present
	Planet 13 Holdings Inc.	CSE	Director	8/2017	Present
	CannaRoyalty Corp.	CSE	Director	12/2016	Present
Steven Mintz	Pool Safe Inc.	TSXV	Director and CFO	12/2009	Present
	Everton Resources Inc.	TSXV	Director	5/2013	Present
	Portage Biotech Inc.	CSE	Director	4/2016	Present
	22 Capital Corp.	TSXV	President and Director	4/2017	Present
	Mooncor Oil and Gas Corp.	TSXV	Director	11/2016	7/2018
	ThreeD Capital Inc. (formerly Brownstone Energy Inc.)	CSE	Director	6/2005	4/2017
	Beleave Inc. (formerly Stream Ventures Inc.)	CSE	President and Director	11/2010	12/2015
	Hampton Financial Corporation (formerly Dominion General Investment Corporation)	TSXV	President and Director	10/2014	7/2016
Jesse Kaplan	Abacus Health Products Inc.	CSE	Director	11/2018	Present

14. CAPITALIZATION

To the best of the knowledge and estimation of the Company and IMC, the following table sets out the number of the shares of the Company available in the Company's public float and freely-tradeable float on a diluted basis and a non-diluted basis as of completion of the Proposed Qualifying Transaction.

Issued Capital

	Number of Common Shares (non-diluted)	Number of Common Shares (fully-diluted)	%of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	145,743,283	183,622,750	100%	100%
Held by Related Persons or employees of the Issuer or Related Persons of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	76,047,398	86,485,504	52.18%	47.10%
Total Public Float (A-B)	69,695,885	97,137,246	47.82%	52.90%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	0	0	0	0
Total Tradeable Float (A-C)	145,743,283	183,622,750	100%	100%

Public Securityholders (Registered)

Class of Security

Size of Holding	Number of holders	Total number of Common Shares
1 – 99 securities	113	1,100
100 – 499 securities	24	6,355
500 – 999 securities	13	9,879
1,000 – 1,999 securities	10	15,464
2,000 – 2,999 securities	5	11,317
3,000 – 3,999 securities	2	7,066
4,000 – 4,999 securities	0	0
5,000 or more securities	282	145,692,102
	449	145,743,283

Public Securityholders (Beneficial)

Class of Security Size of Holding	Number of holders	Total number of Common Shares
1 – 99 securities	327	9,880
100 – 499 securities	166	35,850
500 – 999 securities	49	35,456
1,000 – 1,999 securities	19	27,810
2,000 – 2,999 securities	14	35,322
3,000 – 3,999 securities	11	39,846
4,000 – 4,999 securities	2	8,330
5,000 or more securities	24	1,485,259
Unable to confirm		1,777,513

Non-Public Securityholders (Registered)

Class of Security Size of Holding	Number of holders	Total number of Common Shares
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	9	76,047,398
	9	76,047,398

The following table states the securities convertible or exchangeable into Common Shares.

Description of Security	Number of Convertible Securities Outstanding	Number and Percentage of Common Shares Issuable upon Exercise
Options	12,300,000	12,300,000
Warrants(1)	21,850,698	21,850,698
Compensation Options(2)	2,485,846	3,728,769(3)
TOTAL	**36,636,644**	**37,879,467**

Notes:

(1) 11,413,750 Warrants are exercisable for one Common Share at an exercise price of $0.50 per share for a period of 24 months from the date of issuance and 706,713 Warrants are exercisable for one Common Share at an exercise price of $0.28 per share for a period of 6 months following the date on which the Common Shares are listed for trading on the CSE. 9,730,235 Warrants are exercisable for one Common Share at an exercise price of $1.30 per share for a period of 24 months from the date of issuance.

(2) 1,286,520 Compensation Options are exercisable for one unit at an exercise price of $0.40 per unit for a period of 24 months following the date of issuance, with each unit consisting of one compensation Common Share and one-half of one compensation Warrant, with each whole compensation Warrant exercisable to acquire one Common Share at a price of $0.50. 1,199,326 Compensation Options are exercisable for one unit at an exercise price of $1.05 per unit for a period of 36 months following the date of issuance. Each unit consists of one compensation Common Share and one-half of one compensation Warrant, with each whole compensation Warrant exercisable to acquire one Common Share at a price of $1.30 for a period of 36 months following the date of issuance.

(3) Compensation Options calculated on a fully diluted basis.

15. EXECUTIVE COMPENSATION

General

Upon completion of the Reverse Takeover Transaction, the Company will still be in its early stages of development. The Company will not immediately have a compensation committee but intends to establish one in the near term. Initially, the compensation program for the Company will only provide for a base amount of cash compensation, with no formal long-term equity plan or bonus program in place other than for the Stock Option Plan. The compensation program of the Company, however, will provide for certain benefits on behalf of the Named Executive Officers.

Other than as described above, the Company does not intend to provide the NEOs with any additional personal benefits, nor does the Company intend to provide any additional compensation to its NEOs for serving as directors.

The Board as a whole determines the level of compensation in respect of the Company's senior executives. There are no long-term incentive award plans other than for the Stock Option Plan. There are no pension plan benefits in place for the named executives and other than as described in this Listing Statement, none of the NEOs, senior officers or directors are indebted to the Company. In addition, there are no plans in place with respect to the NEOs for termination of employment or change in responsibilities.

Base Salaries

To set base compensation levels, the Company will give consideration to objective factors such as level of responsibility, experience and expertise and subjective factors such as leadership, commitment and attitude.

Bonus Plan

If and when any bonus awards are determined to be issuable, they will be determined by reference to the Company's actual performance relative to objectives and individual contributions toward such performance. All awards made to executive officers will be subject to the review and approval of the Board and will be examined in absolute terms as well as in relation to peer company performance.

Stock Option Plan

The Board and executive officers are eligible to receive Options pursuant to the Stock Option Plan. Prior to the closing of the Reverse Takeover Transaction, there were no outstanding Options. In accordance with the terms of the Reverse Takeover Transaction, holders of IMC Options were issued Options in exchange for their IMC Options based on the Exchange Ratio. The Board may decide to grant new Options in the future. For a full description of the Stock Option Plan, please see "*Options to Purchase Securities*".

Summary Compensation Table

The following table sets out all anticipated annual compensation to be paid by the Company during the twelve-month period following the closing of the Reverse Takeover Transaction.

Name and Position	Year	Salary ($)[1]	Share-base awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($) Annual incentive plans	Long-term incentive plans	Pension value ($)	All other Compensation ($)	Total Compensation ($)
Oren Shuster, CEO and Director	2019	357,300	Nil	Nil	Nil	Nil	Nil	Nil	357,300
Shai Shemesh, CFO	2019	215,000	Nil	Nil	Nil	Nil	Nil	Nil	215,000
Amir Goldstein, COO	2019	267,970	Nil	Nil	Nil	Nil	Nil	Nil	267,970

Notes:

(1) Gross salary before local income taxes and withholdings.

Retirement Plans

The Company does not intend to implement, any retirement plans, pension plans or other forms of funded or unfunded retirement compensation for its employees.

Employment Contracts

The Company has entered into employment agreements with Messrs. Shuster, Shemesh and Goldstein in connection with the closing of the Reverse Takeover Transaction, the terms of which are substantially similar to their current terms of employment and/or consulting.

Termination, Change of Control and Benefits

The Company does not intend to implement any pension or retirement plan which is applicable to the NEOs. The Company has not provided compensation, monetary or otherwise, during the most recently completed financial year, to any person who has acted or will act as an NEO of the Company in connection with or related to the retirement, termination or resignation of such person, and the Company will provide no compensation to any such person as a result of a change of control of the Company. The Company will not be party to any compensation plan or arrangement with an NEO resulting from the resignation, retirement or termination of employment of any such person.

The Company does not intend to implement any plan or arrangement with respect to compensation to its executive officers, which would result from the resignation, retirement or any other termination of employment of the executive officers' employment with the Company and its subsidiaries or which would result from a change of control of the Company or a change in the executive officers' responsibilities following a change in control, where in respect of an executive officer the value of such compensation exceeds $100,000.

Director Compensation

The Company does not intend to implement any pension plan or other arrangement for non-cash compensation for its directors who are not NEOs, except incentive stock options. In the 12 months following the completion of the Reverse Takeover Transaction, the Company may issue stock options to directors, officers, employees and other service providers from time to time.

Other than as set forth in the foregoing, no director of the Company who is not an NEO has received compensation pursuant to:

(a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;

(b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or

(c) any arrangement for the compensation of directors for services as consultants or experts.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as described below, no individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, each proposed nominee for election as a director of the Company, and each associate of any such director, executive officer or proposed nominee,

(a) is currently, or at any time since the beginning of the most recently completed financial year has been, indebted to the Company or any of its subsidiaries; or

(b) whose indebted to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Name and Principal Position	Involvement of the Company or a Subsidiary	Largest Amount Outstanding During the Year Ended December 31, 2018 (NIS)	Amount Outstanding as at the date of the Listing Statement (NIS)	Financially Assisted Securities Purchases During Most Recently Completed Financial Year (#)	Security for Indebtedness	Amount Forgiven During the Year Ended December 31, 2018 ($)
Oren Shuster *Chief Executive Officer and Director*	IMC is the lender	Nil	NIS 1,378,250	Nil	Nil	Nil
Rafael Gabay *Promoter*	IMC is the lender	Nil	NIS 1,378,250	Nil	Nil	Nil

For a description of Mr. Shuster's indebtedness to the Company, please see "*General Development of the Business – IMC – IMC Restructuring*".

17. RISK FACTORS

Investment in the Company must be considered highly speculative due to the nature of the Company's business. An investment in any securities of the Company should only be considered by those persons who can afford a significant or total loss of their investment. In addition to other information contained in this Listing Statement, the following risk factors must be considered.

Although the Company's operations in Israel will not be subject to MOH Regulations, the Company will generate substantially all of its Israeli revenues from the Licensed Entities through the Commercial Agreements or through other Israeli LPs. Furthermore, the Company shall be subject to MOH Regulations, if and when it shall determine to exercise the Option to Purchase.

General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

Development of the Medical Cannabis Industry in Israel and Europe

The Company is operating in a relatively new medical cannabis industry and each of its target markets are new markets. The success of the Company depends on its ability to attract and retain patients. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, the Company needs to continue to build brand awareness of IMC's Brand in the medical cannabis industry generally and make significant investments in business strategy and production capacity. These investments include introducing new products into the markets in which the Company operates, adopting quality assurance protocols and procedures, building an international presence and undertaking regulatory compliance efforts. These activities may not promote the Company's medical products as effectively as intended, or at all, and the Company expects that competitors will undertake similar investments to compete for market share. Competitive conditions, consumer preferences, regulatory conditions, patient requirements, healthcare practitioner prescribing practices, and spending patterns in this industry and market are relatively unknown and may have unique characteristics that differ from anticipated patterns and analogous existing industries and markets and that cause the Company's efforts to further our business to be unsuccessful or to have undesired consequences. As a result, the Company may not be successful in its efforts to attract and retain patients or to develop new medical cannabis products and produce and distribute medical cannabis products to the markets in which it operates or to which it expects to export in time to be effectively commercialized, or these activities may require significantly more resources than currently anticipated in order to be successful.

New Business Areas and Geographic Markets, and the Company's Ability to Implement the Business Strategy in those Markets

The Company's growth strategy is dependent upon expanding its product and service offerings into new business areas or new geographic markets. There can be no assurance that these new business areas and geographic markets will generate the anticipated clients and revenue. In addition, any expansion into new business areas or geographic markets could expose the Company to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; differing technology standards or end-user requirements and capabilities; difficulties staffing and managing foreign operations; infringement of third-party intellectual property rights; the cost of adapting its products and services for new markets; difficulties collecting accounts receivable; or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner.

The Company expects that significant amounts of its future revenue will be derived from its business operations outside of Israel. Execution of this business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays. Operating in different international regions, could mean that revenues earned from customers may decrease in the future for a variety of reasons, including increased competition and new entrants into geographic markets in which the Company operates or intends to operate. Depending on the countries involved, any or all of the foregoing factors could have a material adverse impact on Company's business, financial condition and results of operations.

The growth and expansion of the Company's business is heavily dependent upon the successful implementation of the Company's business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy. These factors could cause the Company's expansion into new business areas or geographic markets to be unsuccessful or less profitable than its existing markets or could cause the Company's operating costs to increase unexpectedly or its sales to decrease, any of which could have a material adverse impact on the Company's prospects, business, financial condition or results of operations. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters in countries within which the Company intends to operate will not change. Any such change could have a material adverse impact on the Company's business, financial condition and results of operations.

Foreign Operations

The Company relies on international sales of its products in Israel and Europe and the Company expects to do so to a greater extent in the future as it continues to expand its business. There are a number of risks inherent in the Company's international activities, including: unexpected changes in governmental policies and regulatory requirements with respect to medical cannabis; other regulatory requirements; tariffs and other trade barriers; costs and risks of localizing products for foreign languages; longer accounts receivable payment cycles; limits on repatriation of earnings; the burdens of complying with a wide variety of foreign laws; and difficulties supervising and managing local personnel. As such, the Company's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company, including, but not limited to, changes in regulatory requirements, economic sanctions, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, volatility of financial markets, labour disputes and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. Laws and policies of Israel and such foreign jurisdictions affecting foreign trade, taxation and investment may have a material adverse impact on the Company's operations.

If the Company's operations are disrupted and/or the economic integrity of its contracts is threatened for unexpected reasons, its business may be harmed. In the event of a dispute arising in connection with Company's operations in a foreign jurisdiction where the Company does conduct or will conduct its business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company's activities in foreign jurisdictions could be substantially affected by factors beyond their control, any of which could have a material adverse impact on the Company. The Company believes that its management is sufficiently experienced to reduce these risks.

Additional Risks Relating to Doing Business Internationally

The Company is subject to risks generally associated with doing business in international markets. International markets have been for IMC, and will continue to be for the Company, a focus for expansion and revenue growth. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Company does or will do business, or has or will have projects, could adversely affect such expansion and growth.

Additionally, the Company's entry into new international jurisdictions requires management attention and financial resources that would otherwise be spent on other parts of the business. Some of the countries in which the Company sells or will sell products, or otherwise has or will have an international presence, are to some degree subject to political, economic, and/or social instability. International business operations exposes the Company to risks and expenses inherent in operating or selling products in foreign jurisdictions, and developing and emerging markets in particular, where these risks may be heightened.

In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Company's business, results of operations or financial condition and include without limitation:

(a) adverse currency rate fluctuations;

(b) risks associated with complying with laws and regulations in the countries in which the Company's products are sold, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals;

(c) multiple, changing and often inconsistent enforcement of laws, rules and regulations;

(d) risks associated with reliance on international agents and representatives, including the possible failure of such agents and representatives to appropriately understand, represent and effectively market the Company's products;

(e) the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, representatives and distributors;

(f) increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;

(g) the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations on the Company's ability to repatriate non-Canadian and/or non-Israeli earnings in a tax effective manner;

(h) the imposition of Canadian, Israeli and/or other international sanctions against a country, company, person or entity with whom the Company does business that would restricts or prohibits the Company's continued business with the sanctioned country, company, person or entity;

(i) downward pricing pressure on our products in the Company's international markets, due to competitive factors or otherwise;

(j) laws and business practices favouring local companies;

(k) political, social or economic unrest or instability, including without limitation military conflicts and acts of terrorism, military repression, war or civil war, social and labour unrest, organized crime, hostagetaking and violent crime;

(l) expropriation and nationalization and/or renegotiation or nullification of necessary licenses, approvals, permits and contracts;

(m) greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;

(n) difficulties in enforcing or defending intellectual property rights; and

(o) the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Furthermore, some of the Company's operations and sales are conducted in parts of the world that experience illegal sales practices or corruption or are operated under legal systems susceptible to undue influences to some degree. Although the Company has policies and procedures in place that are designed to promote legal and regulatory compliance, the employees, business partners and consultants of the Company could take actions that violate applicable anticorruption laws or regulations. Violations of these laws, or allegations of such violations, could result in loss, reduction or expropriation and/or have a material adverse effect on the Company's business, results of operations or financial condition.

The Company's international efforts may not produce desired levels of sales. Furthermore, the Company's experience with selling products in its current international markets may not be relevant or may not necessarily translate into favourable results if it sells in other international markets. If and when the Company enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Company's brand and/or different customer requirements. As a result, the Company may be less successful than expected in expanding sales in its current and targeted international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Company's overall growth and profitability. To build brand awareness in these new markets, the Company may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets. These or one or more of the other factors listed above may harm the Company's business, results of operations or financial condition. Any material decrease in our international sales or profitability could also adversely impact the overall business, results of operations or financial condition of the Company.

The Company will continue to monitor developments and policies in the emerging markets in which it will operate and assess the impact thereof to its operations, however such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Regulation of the Cannabis Industry

The business and activities of the Company, including but not limited to the Commercial Agreements, are heavily regulated in all jurisdictions where it carries on business.

The Company's Israel operations are dependent on the Licensed Entities adhering to applicable regulations and European operations are dependent on maintaining certain licenses. The failure of the Company or the Licensed Entities to maintain their respective licenses at all times and comply with various laws, regulations and guidelines by governmental authorities, particularly the MOH in Israel and the relevant regulatory authorities in Europe, relating to the cultivation, manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical cannabis and medical cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment, could have a Material Adverse Effect on the Company's business, financial condition and results of operations. Laws and regulations, applied generally, will grant government agencies and regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Failure of the Licensed Entities (or the Company if the Option to Purchase is exercised) or any Israeli LP that has contracted the services of the Company to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Risk of Re-Interpretation of the IMC Restructuring by Israeli Regulatory Authorities

The Company does not currently hold, directly or indirectly, any licenses to engage in the cultivation, production, processing, distribution or sale of medical cannabis in Israel. However, under IFRS, the Company is required to consolidate the results of Focus, a licensed propagator and cultivator of medical cannabis under the current Israeli regulatory regime, in its current financial results.

Israeli regulatory authorities impose certain requirements on shareholders of LPs intended to protect the integrity of the cannabis industry in Israel. These requirements preclude, among other things, any shareholder from directly or indirectly acquiring, holding or maintaining control or direction over 5% or more of the issued and outstanding share capital of an LP without obtaining MOH approval. The ramifications of breaching this requirement without MOH approval may include, among other things, suspension or cancellation of a medical cannabis license.

Based on the foregoing, regulatory authorities in Israel may view the Company as the deemed owner of more than 5% of Focus, and as such subject to the 5% ownership restriction applicable to LPs. A determination of this nature could jeopardize the license held by Focus and require from action from the Company and its shareholders to restructure their affairs to comply with such restrictions and/or seek the approval of the MOH for the current structure. Any sanctions resulting from the Israeli regulatory authorities deeming the Company as the owner of more than 5% of Focus may have a material adverse effect on the Company's business, financial condition and results of operations.

Change in Laws, Regulations and Guidelines

The Company's operations will be subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Reliance on Licensed Entities as Key Clients

The Licensed Entities are key clients of the Company that make up a significant portion of its revenues in Israel. The Company's business is dependent on the Commercial Agreements and the Licensed Entities continuing their current operations, maintaining their respective licenses in good standing and applying for and receiving any additional necessary licenses and compliance with their terms. There can be no guarantee that any required licenses will be extended or renewed, or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Failure by the Company or any of the Licensed Entities to comply with the requirements of any regulation or license or any failure to maintain any license or obtain any additional necessary licenses could have a material adverse impact on the business, financial condition and operating results of the Company.

While the Company expects this concentration of business to decrease over time, it may continue to depend upon a relatively small number of clients for a significant portion of revenue into the foreseeable future. The loss of a significant client could materially adversely affect the Company's business, financial condition and operating results.

Reliance on License Approvals and Renewals in European Jurisdictions

The products currently offered and contemplated to be offered by the Company in Europe are classified as "controlled substances" in many jurisdictions and are subject to a high degree of regulation. The Company's European operations are dependent on government approvals and receipt of licenses to cultivate, manufacture, process, store, distribute, import and export, and sell medical cannabis and related products in Germany, Spain, Portugal, Greece and any other jurisdiction. To the extent the Company is unable to obtain or maintain any required approval or license from regulatory authorities in these jurisdictions, the Company's business, financial condition and results of operations may be materially and adversely affected.

There can be no assurance that any required European licenses will be extended or renewed, or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Failure by the Company to comply with the requirements of any regulation or license or any failure to maintain any license or obtain any additional necessary licenses could have a material adverse impact on the business, financial condition and operating results of the Company.

Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

Most of the Company's current senior management team has limited experience managing a publicly-traded Canadian company and limited experience complying with the increasingly complex laws pertaining to public companies relative to senior management of other publicly-traded companies. Our senior management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day to day management of our business.

Competition in the Industry

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Future Expansion

In addition to the jurisdictions described in this Listing Statement, the Company may in the future expand into or acquire related businesses in other jurisdictions, which could increase the Company's operational, regulatory, compliance, reputational and foreign exchange rate risks. The Company may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations with the Company's existing business. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future expansion could require the Company to incur significant upfront expenses, including those associated with market entry and obtaining requisite regulatory approvals, as well as ongoing expenses including infrastructure, staff and regulatory compliance.

Risks Inherent in an Agricultural Business

Until such time as the Option to Purchase is exercised in Israel and the Company's facilities become operational in Greece and Portugal, the Company's business is heavily reliant on third party cultivation of medical cannabis. As an agricultural product, the Company will be subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks that may impact supply quantities. There can be no assurance that the actions of any of the Licensed Entities, third parties or natural elements will not have a Material Adverse Effect on the results of operations of the Company. Once the Option to Purchase is exercised, the Company will become vulnerable to these inherent risks and there can be no assurance that natural elements will not have a Material Adverse Effect on the results of its operations.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by regulatory authorities in the jurisdictions where the Company currently operates or is contemplating operations, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a Material Adverse Effect on the Company's current and contemplated business, operating results or financial condition.

Unfavorable Publicity or Consumer Perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a Material Adverse Effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a Material Adverse Effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's product specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a Material Adverse Effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "**Potential Product Liability**" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a Material Adverse Effect of the Company in terms of damages awarded and the impact and reputation of the Company.

Potential Product Liability

As a service provider and, subject to the execution of the Option to Purchase, a manufacturer of products designed to be ingested or inhaled by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the products of the Company involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products of the Company caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a Material Adverse Effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

Potential General Litigation

The Company is currently and may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company is currently involved or becomes involved in be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for its shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Difficulty Enforcing Canadian Law against an Israeli Company

The majority of the directors and officers of the Company will be based in Israel, and most of the Company's assets and assets of the directors and officers of the Company will be located outside of Canada. Therefore, a judgment obtained against the Company, or any of these persons, including a judgment based on the civil liability provisions of the Canadian securities laws, may not be collectible in Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on these persons in Canada or to assert Canadian securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. If the Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact by expert witnesses, which can be a time consuming and costly process.

Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Company or the Company in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

Differences between the Canadian Law and Applicable Provisions of the Israeli Law

The rights and responsibilities of the shareholders of the Company's principal subsidiary IMC are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under Canadian law. IMC is incorporated under Israeli law. The rights and responsibilities of holders of IMC Shares (namely the Company) are, therefore, governed by the articles and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical companies incorporated in Canada. In particular, a shareholder of IMC has a duty to act in good faith toward IMC and other shareholders and to refrain from abusing his power in IMC, including, among other things, voting at a general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to IMC's articles of association, increases in IMC's authorized share capital, mergers and interested party transactions requiring shareholder approval. The power of IMC to issue and allot shares is exercisable by the board of directors at such times and on such terms and conditions as the board of directors may determine, subject to the articles of incorporation and the limit on IMC's authorized share capital, which may be amended by a resolution of the shareholders. Shareholders do not have pre-emption rights under Israeli law over further issues of shares of IMC, except to the extent that such right is expressly included in the articles of incorporation.

Transaction Risk

The Company may in the future selectively pursue acquisitions and new businesses. Any future acquisitions may result in significant transaction expenses, dilution of equity financings (including additional Common Share issuances to the targets for a part of the acquisition) and present new risks associated with entering additional markets or offering new products and integrating the acquired companies. Because acquisitions historically have not been a core part of the Company's growth strategy, the Company will not have significant experience in successfully completing acquisitions. The Company may not have sufficient management, financial and other resources to integrate companies the Company acquires or to successfully operate new businesses and the Company may be unable to profitably operate an expanded company. Additionally, any new businesses that the Company may acquire, once integrated with the Company's existing operations, may not produce expected or intended results.

Potential Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Company's or the Licensed Entities' products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company or Licensed Entities may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a Material Adverse Effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of Company's operations by the MOH or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Currency Exchange Rate Fluctuations

The Company is exposed to the effects of fluctuations in currency exchange rates. Since the Company conducts some of its business in currencies other than Canadian dollars, including Israeli New Shekels, but reports its operating results in Canadian dollars, it faces exposure to fluctuations in currency exchange rates. Consequently, exchange rate fluctuations between the Canadian dollar and other currencies could have a material impact on the Company's operating results.

Crime and Business Corruption

The Company conducts business in regions which have experienced high levels of business corruption and other criminal activity. The Company and its personnel are required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act,* as well as local laws in all areas in which the Company does business. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption. The failure of some of the governments where the Company does business to fight corruption or the perceived risk of corruption could have a material adverse impact on the local economies. Any allegations of corruption or evidence of money laundering in those countries could adversely affect ability of those countries to attract foreign investment and thus have a material adverse impact on its economy which in turn could have a Material Adverse Effect on the Company's business, results of operations, financial condition and prospects. Moreover, findings against the Company, the directors, the officers or the employees of the Company, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Company, the directors, the officers or the employees of the Company. Any government investigations or other allegations against the Company, the directors, the officers or the employees of the Company, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Company's reputation and its ability to do business and could have a Material Adverse Effect its financial condition and results of operations.

Uncertain Economic Health of the Wider Economy

The Company's revenue streams are dependent on the overall macroeconomic environment. Current and future conditions in the domestic and global economies remain uncertain. Accordingly, adverse developments in the macroeconomic environment could substantially reduce the funds spent on the products and services offered by the Company and have a Material Adverse Effect on the Company's prospects, business, financial condition or results of operations.

Demand for the Company's products are influenced by general economic and consumer trends beyond the Company's control. There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general economic or consumer trends. In particular, global economic conditions are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not have a Material Adverse Effect on the Company's business, financial condition and results of operations.

Furthermore, such economic conditions may produce downward pressure on stock prices and have produced such pressure on the availability of credit from financial institutions for the Company. If these levels of market disruption and volatility continue, the Company might experience reductions in business activity, increased funding costs and funding pressures (as applicable), a decrease in the market price of its shares, a decrease in asset values, write-downs and impairment charges and lower profitability.

Core Operations in an Emerging Market

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

The Company has significant operations in Israel, which has a history of military instability (See "*Conditions in Israel*" below). While there is no current instability, this is subject to change in the future and could adversely affect the Company's business, financial condition and results of operations.

In particular, fluctuations in the Israeli economy and actions adopted by the government of Israel may have a significant impact on companies operating in Israel, including the Company. Specifically, the Company may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Israel and in other countries that may affect Israel.

Conditions in Israel

The Company has significant operations in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. As a result, the Company is vulnerable to the political, economic, legal, regulatory and military conditions affecting Israel and the Middle East. Armed conflicts between Israel and its neighbouring countries and territories occur periodically and a protracted state of hostility has, in the past, resulted in security and economic difficulties for Israel. Any such hostilities or escalation thereof, armed conflicts or violence in the region could adversely affect the Company's business, results of operations and financial condition. To date, such conflicts have not had a material effect on business, results of operations or financial condition. In addition, the Company may be adversely affected by other events or factors affecting Israel such as the interruption or curtailment of trade between Israel and its trading partners, a significant downturn in the economic or financial condition of Israel, a significant downgrading of Israel's internal credit rating, labour disputes and political instability, including riots and uprisings.

Furthermore, there are a number of countries, primarily in the Middle East, as well as some Muslim countries, including Malaysia and Indonesia that restrict business with Israel or Israeli companies. There may also be certain countries or businesses that may exert pressure on the Company's partners, customers or others not to do business with Israel or Israeli companies. Restrictive laws or policies directed towards Israel or Israeli businesses could have a Material Adverse Effect on the Company's business, results of operations and financial condition.

Generally, under Israeli law, citizens and permanent residents of Israel are obligated to perform military reserve duty for extended periods of time through the age of 45 (or older for citizens with certain occupations) and are subject to being called to active duty at any time under emergency circumstances. In response to increased hostilities, there have been periods of significant call-ups of military reservists. It is possible that there will be additional call-ups in the future, which may include officers and key personnel of the Company, which could disrupt business operations for a significant period of time.

The Company must hold various approvals authorizing its activities in Israel. In order for the Company to carry on business operations in Israel, it must: (i) be registered with the Registrar of Companies; (ii) be registered with the Israel Tax Authorities; and (iii) hold a business license which is issued by the local municipality in which the business operates. Although the Company believes that all such required registrations, certificates and licenses are in good standing as of the date of this Listing Statement, if renewals or new permits, business licenses, or approvals are required in connection with the Company's activities and are not granted or are delayed, or if existing permits, business licenses or approvals are revoked or substantially modified, the Company may suffer a Material Adverse Effect. If new standards are applied to renewals or new applications, it could prove costly to the Company to meet any new level of compliance.

Intellectual Property Rights

The Company's success depends substantially upon IMC's IP that is the basis for its products. Its intellectual property, including its trademarks, service marks, domain names, copyrights, patent and other proprietary rights, constitutes an extremely significant part of its value. To protect its intellectual property rights, the Company relies upon a combination of trademark, copyright, patent, trade secret and unfair competition laws. However, there can be no assurance that these measures will be successful in any given case. The Company may be unable to prevent the misappropriation, infringement or violation of its intellectual property rights, breaching any contractual obligations, or independently developing intellectual property that is similar to its own, any of which could reduce or eliminate any competitive advantage the Company has developed through IMC's IP, adversely affect the Company's revenues or otherwise harm its business.

Assertions of Infringement of Intellectual Property Rights

Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against the Company. Any such claim against the Company, even those without merit could cause the Company to incur substantial costs defending against the claim and could distract its management. An adverse outcome of a dispute may require the Company to pay substantial damages, cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others, expend additional development resources to attempt to redesign its services or otherwise develop non-infringing technology, which may not be successful, or enter into potentially unfavourable royalty or license agreements in order to obtain the right to use technologies or intellectual property rights.

The Company is actively engaged in enforcement and other activities to protect its intellectual property rights. If it became necessary to resort to litigation to protect these rights, any proceedings could be burdensome, costly and divert the attention of management, and the Company may not prevail. In addition, any repeal or weakening of laws or enforcement intended to protect intellectual property rights could make it more difficult for the Company to adequately protect its intellectual property rights, negatively impacting their value and increasing the cost of enforcing its rights.

In addition to technology, the Company relies upon, among other things, unpatented proprietary technology, processes, trade secrets and know-how. Any involuntary disclosure to or misappropriation by third-parties of its confidential or proprietary information could enable competitors to duplicate or surpass the Company's achievements, potentially eroding its competitive position in the market. The Company seeks to protect confidential or proprietary information in part by confidentiality agreements with employees, consultants and third-parties. While all employees, consultants, advisors and any third-parties who have access to the Company's proprietary know-how, information and technology and IMC's IP are required to enter into confidentiality agreements, the Company and IMC cannot be certain that this know-how, information and technology will not be disclosed or that competitors will not otherwise gain access to the Company's trade secrets or independently develop substantially equivalent information and techniques. These agreements may be terminated or breached, and the Company may not have adequate remedies for any such termination or breach. Furthermore, these agreements may not provide meaningful protection for trade secrets and know-how in the event of unauthorized use or disclosure.

Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, it may have a Material Adverse Effect on the Company's business, financial condition, results of operation and prospects.

Holding Company

The Company is a holding company and essentially all of its assets are the Option Agreements and the capital stock of its material subsidiaries. As a result, investors in the Company are subject to the risks attributable to the Company and its subsidiaries. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and investments and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Inter-company Transfers of Funds

As the Company's operations will be carried on through IMC, it will be dependent on cash flows from IMC. The Company is not currently subject to or aware of any limitations on the repatriation of funds from IMC in Israel. The Company will develop a cash management system to provide for the flow of funds between the Company and IMC. It is expected that such a system will provide for:

(a) the structuring and documentation of fund transfers as loan arrangements, capital investments and/or management services arrangements between relevant entities;

(b) internal approval process by the controller and the general manager at the subsidiary level, and for certain transactions exceeding the subsidiary's authority limits, by the Company's CFO; and

(c) compliance with internal procedures and applicable local regulations.

If any issues arising with the repatriation of funds it may have a material adverse effect on the Company.

Liability, Enforcement Complaints, etc.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company or its investments. Litigation, complaints, and enforcement actions involving either of the Company or its investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Reputational Risks to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a Material Adverse Effect on the Company.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a Material Adverse Effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Market Price and Trading Volume of Common Shares

The price of the Common Shares is likely to be significantly affected by a variety of items and events including short-term changes, the Company's financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following:

(a) the extent of analytical coverage available to investors concerning Company's business may be limited if investment banks with research capabilities do not follow the Company's securities;

(b) lessening in trading volume and general market interest in the Company's securities or medical cannabis companies more generally may affect an investor's ability to trade significant numbers of the Common Shares;

(c) the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and

(d) a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. The Company may be the target of similar litigation in the future. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

In addition, the Common Shares may not qualify as a permitted investment under the investment policies or guidelines of certain institutional investors which could result in a lessening in trading volume and the Company's securities.

Market Price of the Common Shares may be Volatile

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as the factors listed below, some of which are beyond the Company's control, could affect the market price of the Common Shares:

(a) quarterly variations in the Company's results of operations and cash flows or the results of operations and cash flows of the Company's competitors;

(b) the Company's failure to achieve actual operating results that meet or exceed guidance that the Company may have provided due to factors beyond its control, such as currency volatility and trading volumes;

(c) future announcements concerning the Company or its competitors, including the announcement of acquisitions;

(d) changes in government regulations or in the status of the Company's regulatory approvals or licensure;

(e) public perceptions of risks associated with the Company's operations;

(f) developments in the Company's industry; and

(g) general economic, market and political conditions and other factors that may be unrelated to the Company's operating performance or the operating performance of its competitors.

No Market for Warrants

There is no market through which the Warrants may be sold and purchasers may not be able to resell such securities. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation.

Market Research and Reports

The trading market for the Common Shares will be influenced by the research and reports that industry or securities analysts publish (if any) about the Company's business. If one or more of the analysts (if any) who cover the Company or the Company's industry make unfavourable comments about the Company's market opportunity or business, the market price of the Common Shares would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, it could lose visibility in the financial markets, which could cause the market price of the Common Shares or trading volume to decline. On the Company's part, if the Company fails to achieve analysts' earnings estimates, the market price of the Common Shares would also likely decline.

Enforceability of Civil Liabilities

IMC is a corporation incorporated under the laws of the State of Israel and upon completion of the Reverse Takeover Transaction, a substantial portion of the Company's assets will be located outside of

Canada. Oren Shuster, the CEO, director and promoter of the Company, Shai Shemesh, the CFO of the Company, Amir Goldstein, the Chief Operating Officer of the Company, Yael Harrosh, the Secretary of the Company and Rafael Gabay, a promoter of the Company, reside outside of Canada. It may not be possible for shareholders to effect service within Canada upon those directors, officers and promoters who are not residents of Canada. Furthermore, it may be difficult to realize upon or enforce in Canada any judgment of a court of Canada against the directors, officers and promoters who are not residents of Canada since a substantial portion of the Company's assets will be located outside of Canada.

Language Barriers

Taken together the members of the board of directors and the executive officers have adequate command of English, which will be adopted as the main language of the Company. Their oral skills are satisfactory and they have demonstrated an ability to address inquiries by way of written communication, and as such we don't foresee a language barrier. The directors and executive officers of the Company that are fluent in Hebrew are as follows: Oren Shuster, Shai Shemesh, Amir Goldstein and Yael Harrosh. Yael Harrosh, who is fluent in both Hebrew and English is the lead liaison for the Company in respect of communications with investors, regulatory authorities and other counterparties. English will be the main language of the Company, the material documents relating to the Company will be drawn up in English. While Hebrew is the official language of the State of Israel, a significant proportion of Israel's population has a basic knowledge of English or better. In addition, it is also a common practice for Israel based companies who conduct international business to conduct their business in English. As such, the Company does not foresee that significant changes will be needed to make language-related accommodations for the board members who do not have a command of Hebrew. While the Company does not anticipate this will be the case, if the material documents of the Company are drawn up in a language other than English (for example, in a jurisdiction outside of Israel or Canada, where English is not an official language), the Company intends to employ the services of an independent licensed translator before the documents are presented to the board in both, English and the native formats. Since English will be the main language of the Company, it will not be employing a special communications plan.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced by the individual characteristics of each customer. Although the Company establishes an allowance for doubtful accounts that represents its estimate of potential credit losses in respect of accounts receivables and historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographical area, there is no assurance that the allowance for doubtful accounts will be sufficient to cover credit losses in the future and future credit losses could have a material adverse effect on the Company's prospects, business, financial condition and results of operations. Furthermore, since the Company has operations in Israel and Europe, there is additional credit risk associated with an Israeli company doing business in foreign jurisdictions, which in some cases have volatile social, political and economic environments.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, recorded and reported and assets are safeguarded against unauthorized or improper use. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

18. PROMOTERS

Oren Shuster, CEO and director of the Company and Rafael Gabay, an insider of the Company, may be considered to be promoters because they took the initiative in founding and organizing the business of IMC. Mr. Shuster is a resident of Ra'anana, Israel and upon completion of the Reverse Takeover Transaction holds 36,534,409 Common Shares, representing 25.07% of the issued and outstanding Common Shares on a non-diluted basis. Mr. Gabay is a resident of Ganot, Israel and upon completion of the Reverse Takeover Transaction holds 32,558,139 Common Shares, representing 22.34% of the issued and outstanding Common Shares on a non-diluted basis.

Under the IMC Restructuring, IMC sold its interests in Focus, IMC Pharma and IMCC to Messrs. Shuster and Gabay and retained an option pursuant to the Option Agreements to re-acquire these entities as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Option Agreements*".

No promoter of the Company is, as at the date of this Listing Statement, or has been within 10 years prior to the date of this Listing Statement, a director, chief executive officer, or chief financial officer of any person or company, that:

(a) was subject to an order that was issued while the promoter was acting in such capacity, or

(b) was subject to an order that was issued after the promoter ceased to act in such capacity and which resulted from an event that occurred while the promoter was acting in such capacity.

No promoter of the Company is, as at the date of this Listing Statement, or has been within the 10 years prior to the date of this Listing Statement, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No promoter of the Company has, within the 10 years prior to the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter.

19. LEGAL PROCEEDINGS

Legal Proceedings

Except as disclosed below, there are no actual or pending material legal proceedings to which the Company or any of its subsidiaries or affiliates are a party or of which any of their assets are subject. Management of the Company is not aware of any such material legal proceedings contemplated.

Class Action T.Z. 35676-08-19

On August 19, 2019 a motion was filed for approval of a class action (the "**August 2019 Motion**") against 17 companies (the "**August 2019 Respondents**") operating in the field of medical cannabis in Israel, including IMC. The August 2019 Motion was served to IMC on September 3, 2019. The applicant's argument is that the August 2019 Respondents did not accurately mark the concentration of active ingredients in their products.

The total amount claimed is NIS 685,740,000 (comprised of a personal amount claimed for each consumer of NIS 15,585 on behalf of 44,000 consumers).

The applicant seeks to appoint, on his behalf and on behalf of the representative group, a representative attorney, as the application for approval was filed without one.

In accordance with the Rules of Procedure, the companies must submit a response to the Motion by December 15, 2019.

At this stage, IMC has not yet begun to formulate its response to the August 2019 Motion. Nevertheless, IMC anticipates that several possible defenses will be available. Given the early stage of the proceedings, the likelihood of IMC's success in defending the August 2019 Motion cannot be assessed at this time.

Municipal Taxes Demand

On January 15, 2018, IMC, six other medical cannabis growers and Abarbanel Mental Health Center received a municipal tax demand from the municipality of Bat-Yam, ordering them to pay NIS 2,781,918.70, for operating a medical cannabis distribution center in Bat-Yam.

On May 15, 2018, IMC filed an objection to the demand on the basis that it does not operate nor conduct business of any kind in the jurisdiction of Bat-Yam. On July 8, 2018 the Bat-Yam municipality rejected the IMC's objection. On November 1, 2018, IMC filed an appeal.

On June 12, 2019, Focus, Bat-Yam municipality and the others growers signed a settlement agreement according to which NIS 200,000 will be paid by Abarbanel Mental Health Center and four of the medical cannabis growers to the Bat-Yam municipality to settle the claim. Focus will be part of the settlement but will not be required to contribute to the NIS 200,000 payment.

Class Action T.Z. 8394-11-16

On November 3rd, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "**Growers**"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "**Label Regulations**") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "**Residues Regulations**"), and the misleading of their customers, thus violating the Consumer Protection Law (the "**Consumer Law**") (hereafter: the "**usage of pesticides claim**") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.

The personal suit sum for every class member stands at NIS 5,000; the total amount of the class action suit is estimated at NIS 133 million.

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. Alternatively, and based on the published Ministry of Health recommendations and guidelines, the Growers argued that they are not liable for any civil wrongdoing.

In addition, the Growers argue that they did not mislead the users of medical cannabis by not telling them about the usage of pesticides in the cannabis growing process. Furthermore, the Growers claim they had no legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty.

Furthermore, the Growers argue that the motion lacks sufficient details, that the alleged damage caused by Violation of Autonomy is a Tort damage and therefore cannot be argued under an unjust enrichment claim and that the class group members benefited from the cannabis marketed by the Growers, therefore there is no base for an unjust enrichment claim.

On December 5th, 2017, the applicants submitted their response to the Growers' response, which did not include any new claims. A preliminary hearing for the motion took place on January 7th, 2018, when it was decided to remove the applicants' expert opinion and all evidence attached to it. In addition, it was decided that the Ministry of Health and the Ministry of Agriculture will submit their official opinion regarding the usage of pesticides in cannabis growing, including instructions which were given from time to time since 2009. On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018. In an evidentiary hearing held on September 9th, 2019, the petitioners and the Growers testified and it was decided to remove the plaintiffs' second and last expert opinion from the motion. Written summaries will be filed in the coming months.

At the current stage of the litigation process, IMC estimates the probability of the motion being approved against IMC at 50%. The total financial exposure of IMC from the class is estimated at NIS 693,750 (approximately $253,195), assuming all defense claims of IMC detailed above will be rejected.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Listing Statement, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10 percent of any class of the Company's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

For detailed information on the non-arm's length transactions in connection with the IMC Restructuring, please see "*General Development of the Business – IMC – IMC Restructuring*".

21. AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of the Company are Dale Matheson Carr-Hilton Labonte LLP, located at 1500 - 1140 West Pender St. Vancouver, BC V6E 4G1.

The auditors of IMC are Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, located at 144 Menachem Begin Road, Tel-Aviv, Israel.

Transfer Agent and Registrar

The transfer agent and registrar for the Company's securities is Computershare Investor Services Inc., located at 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of this Listing Statement, the Company and IMC have entered into the following material contracts, other than contracts entered into in the ordinary course of business:

The Company

The Company has not entered into any material contracts within the most recently completed financial year, or before the most recently completed financial year which are still in effect, other than contracts in the ordinary course of business, except:

1. Definitive Agreement dated September 3, 2019 between the Company, Subco1 and IMC, including the Share Purchase Agreement.

2. Agency agreement dated August 30, 2019 between the Company, IMC, FinCo and certain agents and dealers in connection with the Subscription Receipt Financing.

3. Warrant indenture dated August 30, 2019 between the Company and Computershare Trust Company of Canada in connection with the Subscription Receipt Financing.

Copies of this agreement will be available for inspection at 550 Burrard St #2300, Vancouver, BC V6C 2B5, at any time during ordinary business hours until 30 days after the Closing Date and may also be found on SEDAR at www.sedar.com.

IMC

1. Share purchase agreement between IMC and Focus dated July 6, 2018 whereby IMC acquired 74% of the issued and outstanding Focus Shares from certain Focus shareholders.

2. Founders Agreement, as defined in "*General Development of the Business – IMC – History of IMC – IMC Ventures*".

3. Share purchase agreement between IMC and the Principals dated April 2, 2019 for the sale of Focus to the Principals in connection with the IMC Restructuring and as detailed in "*General Development of the Business – IMC – IMC Restructuring*".

4. Share purchase agreement between IMC and the Principals dated April 2, 2019 for the sale of IMC Pharma to the Principals in connection with the IMC Restructuring and as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Option Agreements*".

5. Share purchase agreement between IMC and the Principals dated April 2, 2019 for the sale of IMCC to the Principals in connection with the IMC Restructuring and as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Option Agreements*".

6. Option Agreements, as defined in "*Glossary of Terms*" and as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Option Agreements*".

7. License Agreement, as defined in "*Glossary of Terms*" and as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Commercial Agreements with Focus*".

8. Services Agreement, as defined in "*Glossary of Terms*" and as detailed in "*General Development of the Business – IMC – IMC Restructuring – The Commercial Agreements with Focus*".

9. Share purchase agreement between Christian Dietrich Eberhard Hauck and Olaf Rosenthal and TattooMed Hungary GmbH (represented by Richard Balla) dated February 28, 2019 for the acquisition of Adjupharm GmbH, to be read in conjunction with the Trust Agreement between Richard Balla and Zvi Tirosh (on behalf of IMC) pursuant to which IMC acquired the issued and outstanding shares of Adjupharm from Mr. Balla.

10. Escrow agreement between TattooMed Hungary GmbH (represented by Richard Balla) and IMC (represented by Zvi Tirosh) dated February 28, 2019 pursuant to which the shares purchased in connection with the Adjupharm acquisition were held in escrow by Mr. Balla until March 15, 2019 and then transferred to IMC.

11. Spanish Supply Agreement, as defined in "*Narrative Description of the Business – General Business of the Company – Europe – Spain*".

12. Loan agreement between Oren Shuster and IMC dated June 24, 2019 regarding a seller's loan in the amount of NIS 1,378,250 in connection with the IMC Restructuring.

13. Loan agreement between Rafael Gabay and IMC dated June 24, 2019 regarding a seller's loan in the amount of NIS 1,378,250 in connection with the IMC Restructuring.

14. Agency agreement dated August 30, 2019 between IMC, FinCo, the Company and certain agents and dealers in connection with the Subscription Receipt Financing.

Copies of all material contracts are available for inspection by contacting IMC at Kibbutz Glil Yam, Israel, at any time during ordinary business hours until 30 days after the Closing Date.

23. INTEREST OF EXPERTS

The annual financial statements of Focus for the financial years ended December 31, 2017 and 2016 have been audited by Hendeles, Goldshtein, Fliex & Co. CPA Firm. Hendeles, Goldshtein, Fliex & Co. CPA Firm have confirmed that they are independent of Focus within the meaning set out under the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

The annual financial statements of IMC for the financial year ended December 31, 2018 have been audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global. Kost Forer Gabbay &

Kasierer, a member of Ernst & Young Global have confirmed that they are independent of IMC within the meaning set out under the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

The consolidated audited financial statements for the financial years ended April 30, 2018, 2017 and 2016 were audited by Jackson & Company, Chartered Accountants. Jackson & Company, Chartered Accountants have confirmed that they were independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct to the date of their resignation on January 21, 2019.

The consolidated interim unaudited financial statements of the Company for the three-month period ended July 31, 2019 were reviewed by Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants. The consolidated annual financial statements of the Company for the year ended April 30, 2019 were audited by Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants. Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants have confirmed that they were independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct to the date of this Listing Statement.

24. OTHER MATERIAL FACTS

There are no other material facts about the Company and its securities that are not otherwise disclosed in this Listing Statement and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company, IMC and their respective securities.

25. FINANCIAL STATEMENTS

The following financial statements are attached as Appendices B to E:

Appendix B – Financial Statements of the Company:

1. Consolidated interim financial statements for the three months ended July 31, 2019.

2. Consolidated annual financial statements for the years ended April 30, 2019 and 2018.

3. Consolidated annual financial statements for the years ended April 30, 2018 and 2017.

4. Unaudited pro forma consolidated financial statements as of June 30, 2019.

5. Unaudited pro forma consolidated financial statements as of December 31, 2018.

Appendix C – Financial Statements of IMC:

1. Interim condensed consolidated financial statements as of June 30, 2019 (unaudited).

2. Interim condensed consolidated financial statements as of March 31, 2019 (unaudited).

3. Audited consolidated financial statements of IMC Holdings Ltd. and its subsidiaries for the financial year ended December 31, 2018.

4. Audited consolidated financial statements of Focus Medical Herbs Ltd. for the financial year ended December 31, 2017.

Appendix D – MD&A of the Company:

1. Management discussion and analysis for the three months ended July 31, 2019.

2. Management discussion and analysis for the year ended April 30, 2019.

3. Management discussion and analysis for the year ended April 30, 2018.

4. Management discussion and analysis for the year ended April 30, 2017.

Appendix E – MD&A of IMC:

1. Management's discussion and analysis for the three and six months ended June 30, 2019 and 2018.

2. Management's discussion and analysis for the three months ended March 31, 2019 and 2018.

3. Management's discussion and analysis for the year ended December 31, 2018.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, IM Cannabis Corp., hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to IM Cannabis Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto

This 29th day of October, 2019.

"*Oren Shuster*"
Oren Shuster
Chief Executive Officer, Director and Promoter

"*Shai Shemesh*"
Shai Shemesh
Chief Financial Officer

"*Rafael Gabay*"
Rafael Gabay
Promoter

"*Steven Mintz*"
Steven Mintz
Director

"*Marc Lustig*"
Marc Lustig
Director and Chairman

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to I.M.C. Holdings Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto

This 29th day of October, 2019.

"*Oren Shuster*"
Oren Shuster
Chief Executive Officer, Director and Promoter

"*Shai Shemesh*"
Shai Shemesh
Chief Financial Officer

"*Rafael Gabay*"
Rafael Gabay
Promoter

"*Steven Mintz*"
Steven Mintz
Director

"*Marc Lustig*"
Marc Lustig
Director and Chairman

APPENDIX A

DEFINITIVE AGREEMENT

I.M.C. HOLDINGS LTD.

and

NAVASOTA RESOURCES INC.

and

NAVASOTA ACQUISITION LTD.

AMENDED AND RESTATED BUSINESS COMBINATION AGREEMENT

September 3, 2019

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AMENDED AND RESTATED BUSINESS COMBINATION AGREEMENT

THIS AGREEMENT is made as of September 3, 2019,

BETWEEN:

I.M.C. HOLDINGS LTD.,
a company incorporated under the laws of the State of Israel, privately held limited liability company number 515778348
("**IMC**")

-and-

NAVASOTA RESOURCES INC.,
a corporation incorporated under the laws of the Province of British Columbia
("**Navasota**")

-and-

NAVASOTA ACQUISITION LTD.,
a company incorporated under the laws of the State of Israel, privately held limited liability company number 515881027
("**Subco1**")

WHEREAS Navasota is a reporting issuer in Canada and is not listed on any stock exchange;

AND WHEREAS IMC, Navasota and Subco1 are parties to a business combination agreement dated November 6, 2018, as amended April 7, 2019 and further amended May 29, 2019 (the "**Business Combination Agreement**") whereby the Parties agreed to combine the business and assets of IMC with those of Navasota and upon completion of such business combination, Navasota will become the Resulting Issuer (as defined below) with the name "IM Cannabis Corp." or such other similar name as may be accepted by the relevant regulatory authorities;

AND WHEREAS the Parties agreed to carry out the proposed business combination by way of a triangular Merger (as defined below) between Navasota, Subco1 and IMC pursuant to the applicable laws of the State of Israel, including Sections 314 through 327 of the Israeli Companies Law 5759-1999 together with the rules and regulations promulgated thereunder (collectively, the "**Companies Law**") and other related transaction steps, whereby Subco1 will cease to exist and IMC will become a wholly owned subsidiary of Navasota;

AND WHEREAS the board of directors of IMC has: (i) determined that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, and in the best interests of, IMC and its shareholders and that, considering the financial position of the merging companies, no reasonable concern exists that the Surviving Company will be unable to fulfill the obligations of IMC to its creditors; (ii) approved this Agreement, the Merger and the other transactions contemplated hereby; and (iii) determined to recommend that the shareholders of IMC approve this Agreement, the Merger and the other transactions contemplated hereby;

AND WHEREAS the boards of directors of Navasota and Subco1 have each approved this Agreement, the Merger and the other transactions contemplated hereby, and the board of directors of Subco1 has: (i) determined that this Agreement, the Merger and the other transactions contemplated by this Agreement are fair to, and in the best interests of, Subco1 and its sole shareholder and that, considering the financial position of the merging companies, no reasonable concern exists that the Surviving Company will be unable to fulfill the obligations of Subco1 to its creditors, to the extent such exist; and (ii) determined to recommend that the sole shareholder of Subco1 approve this Agreement, the Merger and the other transactions contemplated hereby;

AND WHEREAS subsequent to entering into the Business Combination Agreement, IMC completed, with the consent of Navasota, the IMC Restructuring (as defined below) and IMC and Navasota agreed to conduct a private placement of subscription receipts of Finco (as defined below) to raise capital for the operational expansion, business development and working capital needs of the Resulting Issuer;

AND WHEREAS the Parties have agreed to carry out a three-cornered Amalgamation (as defined below) between Navasota, Subco2 and Finco pursuant to the provisions of the BCBCA (as defined below) to provide for the issuance of Resulting Issuer common shares in exchange for the Finco subscription receipts as part of the business combination;

AND WHEREAS the Parties desire to amend and restate the Business Combination Agreement to reflect the foregoing agreements and continue the proposed business combination on the terms set forth herein;

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties, the Parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings, respectively:

"**Affiliate**" has the meaning ascribed thereto in the BCBCA;

"**Agreement**", "**this Agreement**", "**herein**", "**hereto**", and "**hereof**" and similar expressions refer to this amended and restated business combination agreement, including the schedules attached hereto, as the same may be amended or supplemented from time to time;

"**Amalco**" means the corporation resulting from the Amalgamation;

"**Amalco Shares**" means common shares in the capital of Amalco;

"**Amalgamation**" means an amalgamation of Subco2 and Finco pursuant to Section 269 of the BCBCA, on the terms and subject to the conditions set out in the Amalgamation Agreement and this Agreement, subject to any amendments or variations thereto made in accordance with the provisions of the Amalgamation Agreement and this Agreement;

"**Amalgamation Agreement**" means the amalgamation agreement substantially in the form attached hereto as Schedule B to be entered into between Subco2 and Finco pursuant to Section 269 of the BCBCA, to effect the Amalgamation;

"**Amalgamation Application**" means the Form 13 to be jointly completed and filed by Subco2 and Finco with the Registrar of Companies under the BCBCA giving effect to the Amalgamation upon and subject to the terms of this Agreement and the Amalgamation Agreement;

"**BCBCA**" means the *Business Corporations Act* (British Columbia) as the same has been and may hereafter from time to time be amended;

"**Business Day**" means any day, excluding Saturday or Sunday, on which banking institutions are open for business in Toronto, Ontario, Canada;

"**Business Combination**" means the series of transactions, as detailed in this Agreement, through which the businesses of IMC and Navasota will be combined, including the Financing, the Consolidation, the Merger, the Amalgamation, the IMC Director Appointments and the Navasota Name Change;

"**Business Combination Agreement**" has the meaning set forth in the recitals of this Agreement;

"**Certificate of Merger**" means the certificate in respect of the Merger issued by the Israeli Registrar of Companies;

"**Certificate of Amalgamation**" means the certificate of amalgamation issued by the Registrar of Companies under the BCBCA pursuant to Section 281 of the BCBCA following the filing of the Amalgamation Application;

"**Companies Law**" has the meaning ascribed thereto in the recitals of this Agreement;

"**Completion Deadline**" means September 30, 2019 or such later date as may be mutually agreed between the Parties in writing;

"**Consolidation**" means a consolidation of the issued and outstanding Navasota Shares on the basis of the Consolidation Ratio;

"**Consolidation Ratio**" means the ratio for the Consolidation, being one (1) post-Consolidation Navasota Share for every 2.83 pre-Consolidation Navasota Shares held;

"**CSE**" means the Canadian Securities Exchange;

"**Debt Instrument**" has the meaning ascribed thereto in Section 4.1(z) hereof;

"**Depositary**" means such Person as Navasota may appoint to act as depositary in relation to the Business Combination, with the approval of IMC, acting reasonably;

"**Disclosure Letter**" means the disclosure letter executed by IMC and delivered to Navasota concurrently with the execution of this Agreement;

"**Documents**" means this Agreement, the Merger Proposal and the Amalgamation Agreement;

"**DRS Statement**" means a statement evidencing a shareholding position under the Direct Registration System;

"**Due Diligence Sessions**" means one or more due diligence sessions held by the agents appointed by Finco to act as the sole and exclusive agents of Finco to effecting the Financing, and pursuant to which IMC's directors, senior management and auditors were made available to answer questions which such agents may have;

"**Effective Date**" means the date shown on the Certificate of Amalgamation giving effect to the Amalgamation, which date shall be in accordance with Section 2.1(h)(iv) hereof;

"**Effective Time**" means the time of filing of the Amalgamation Application with the British Columbia Registrar of Companies on the Effective Date;

"**Environmental Laws**" has the meaning ascribed thereto in Section 4.1(u) hereof;

"**Financing**" means the private placement of Subscription Receipts to be completed by Finco prior to the Effective Date;

"**Finco**" means IM Cannabis (Finance) Ltd., a company incorporated under the laws of the Province of British Columbia as a wholly-owned Subsidiary of Navasota for the purpose of effecting the Business Combination and the Financing;

"**Finco Agent Warrants**" means the compensation options of Finco to be issued to certain dealers and agents in connection with the Financing;

"**Finco Convertible Securities**" means, collectively, the Finco Agent Warrants and Finco Warrants;

"**Finco Shares**" means the common shares in the capital of Finco;

"**Finco Warrants**" means common share purchase warrants of Finco;

"**Going Public Transaction**" means (i) the initial public offering of any class of securities of IMC or a direct listing application of IMC whereby any class of securities of IMC becomes listed or quoted on a recognized Canadian stock exchange, or (ii) a reverse takeover, amalgamation, merger, statutory arrangement, share exchange or similar transaction involving IMC and a reporting issuer in a province of Canada and which results in the securities of the resulting issuer from such transaction becoming listed or quoted on a recognized Canadian stock exchange;

"**Governing Documents**" means, in respect of each Party, as applicable, its certificate, its notice of articles and articles as amended, its articles of incorporation/association, as amended, and its by-laws, as amended;

"**Government Authority**" means any applicable foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question and, for greater certainty, includes the CSE;

"**IFRS**" means International Financial Reporting Standards applicable as at the relevant date;

"**IMC**" means I.M.C. Holdings Ltd., limited liability company number 515778348, a company existing under the laws of the State of Israel;

"**IMC Agent Warrants**" means the compensation options of IMC issued to dealers and agents in connection with any prior financings of IMC of which, as of the date of this Agreement, there are 128,652 IMC Agent Warrants issued and outstanding;

"**IMC Convertible Securities**" means, collectively, the IMC Options, the IMC Warrants and the IMC Agent Warrants;

"**IMC Director Appointments**" means, subject to the completion of the Merger, the reconstitution of the board of directors of Navasota to consist of four (4) directors, as more particularly set out in Section 2.1(i);

"**IMC Financial Statements**" means (i) the audited consolidated financial statements of IMC for the two most recently completed financial years and the notes thereto; (ii) the unaudited interim financial statements of IMC for the three month period ended June 30, 2019; and (iii) the *pro forma* financial statements of IMC as at December 31, 2018 after giving effect to the Business Combination and the IMC Restructuring;

"**IMC Holder**" has the meaning given to such term in Section 2.1(k) and "**IMC Holders**" means all such holders;

"**IMC Meeting**" means a special meeting of the shareholders of IMC to be held in order to seek shareholder approval for the Merger;

"**IMC Options**" means the stock options to purchase IMC Shares granted to IMC's directors, officers, employees, contractors and other eligible persons, of which, as of the date of this Agreement, there are 1,198,000 IMC Options issued and outstanding, all of which are held by the Israeli Trustee, as required under section 102 to Tax Ordinance and under the Plan;

"**IMC Restructuring**" means the corporate re-structuring of IMC whereby IMC divested its interests in Focus Medical Herbs Ltd., which conducted or was to conduct IMC's cannabis growth and cultivation activities in the State of Israel, to two related parties with a ten year option on the part of IMC to re-acquire such interests from the related parties at a future date;

"**IMC Restructuring Documents**" means, collectively, the following agreements dated April 2, 2019: (i) an option agreement between IMC and the owners of 3,600 ordinary shares of Focus Medical Herbs Ltd.; (ii) a share purchase agreement between IMC and certain purchasers, under which IMC sold 3,600 ordinary shares of Focus Medical Herbs Ltd.; (iii) a service agreement between IMC and Focus Medical Herbs Ltd.; and (iv) a license agreement between IMC and Focus Medical Herbs Ltd.;

"**IMC Shareholder**" means a registered holder of IMC Shares, from time to time, and "**IMC Shareholders**" means all such holders;

"**IMC Shares**" means the ordinary shares in the capital of IMC;

"**IMC Subsidiaries**" means I.M.C. Ventures Ltd., IMC Pharma Ltd., IMCC Ltd., Adjupharm GmbH, and I.M.C. – International Medical Cannabis Portugal, Unipessoal, Lda.;

"**IMC Warrants**" means the common share purchase warrants of IMC of which, as of the date of this Agreement, there are 1,141,375 IMC Warrants issued and outstanding;

"**in writing**" means written information including documents, files, software, records and books made available, delivered or produced to one Party by or on behalf of the other Party;

“**Israeli Registrar of Companies**” means the Government Authority in the State of Israel responsible for the supervision, registration and enforcement over corporations in Israel;

“**Israeli Trustee**” means an Israeli trustee mutually appointed by Navasota and IMC in respect of the Resulting Issuer Shares and Resulting Issuer Convertible Securities to be issued to IMC Holders resident in the State of Israel;

“**ITA**” means the Israeli Tax Authority.

“**Laws**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by laws, statutory rules, principles of law, published policies and guidelines, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Government Authority, statutory body or self-regulatory authority, and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Government Authority (or any other Person) having jurisdiction over the aforesaid Person or Persons or its or their business, undertaking, property or securities;

“**Letter of Intent**” means the letter of intent dated June 25, 2018 between IMC and Navasota, as amended, in respect of the proposed Business Combination;

“**Letter of Transmittal**” means a letter of transmittal to be sent to holders of IMC Shares and IMC Convertible Securities for use in connection with the Business Combination and in order to deliver to the Israeli Trustee the Resulting Issuer Shares and Resulting Issuer Convertible Securities to which they are entitled after giving effect to the Merger;

“**Listing Statement**” means a CSE listing statement of Navasota to be prepared jointly by Navasota and IMC in respect of the Business Combination in accordance with the policies of the CSE;

“**Material Adverse Effect**” means any event, change or effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, assets, liabilities, or business of a Party and its Subsidiaries, considered as a whole, provided, however, that a Material Adverse Effect shall not include an adverse effect resulting from a change: (a) which arises out of or in connection with a matter that has been publicly disclosed or otherwise disclosed in writing by such Party to the other Parties prior to the date of this Agreement; (b) resulting from conditions affecting the medical marijuana industry generally in Canada, Israel and the United States including changes in laws, government policies or programs or taxes; or (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or Israel;

“**material fact**” has the meaning ascribed thereto in the *Securities Act* (Ontario) as the same has been and may hereafter from time to time be modified;

“**Merger**” means the merger of Subco1 with and into IMC pursuant to the laws of the State of Israel in accordance with the terms of this Agreement;

“**Merger Exchange Ratio**” has the meaning given to such term in Section 2.1(f)(ii)(B) hereof;

“**Merger Proposal**” means the proposal to be prepared in the Hebrew Language to be executed and submitted to the Israeli Registrar of Companies in accordance with Section 316 of the Companies Law by IMC and Subco1 in respect of the Merger;

“**Navasota**” means Navasota Resources Inc., as it exists prior to the completion of the Business Combination;

“**Navasota Financial Statements**” has the meaning ascribed thereto in Section 4.2(m) hereof;

“**Navasota Meeting**” means a special meeting of the shareholders of Navasota to be held in order to seek shareholder approval for the Consolidation, the IMC Director Appointments and the Navasota Name Change;

“**Navasota Name Change**” means, subject to the completion of the Amalgamation, a change in the name of Navasota to “IM Cannabis Corp.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of the Resulting Issuer;

“**Navasota Shareholder**” means a registered holder of Navasota Shares, from time to time;

“**Navasota Shares**” means the common shares in the capital of Navasota;

“**Navasota Subsidiaries**” means the direct and indirect Subsidiaries of Navasota which, for greater certainty, include Subco1, Subco2, Société AMIG Navasota Mining International S.A.R.L., Société Guinéenne de Fer et de Bauxite and Africa Bauxite Corporation;

“**Navasota Warrants**” means the common share purchase warrants of Navasota of which, as of the date of this Agreement, there are 2,000,000 Navasota Warrants issued and outstanding;

“**Party**” means each of IMC, Navasota and Subco1 individually, and collectively, the “**Parties**”;

“**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status;

“**Plan**” means the 2018 employee share option plan duly adopted by IMC on December 19, 2018;

“**Post-Consolidation Navasota Shares**” collectively means the common shares in the capital of Navasota after giving effect to the Consolidation and individually a “**Post-Consolidation Navasota Share**”;

“**Regulatory Approval**” means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over any Party or the Subsidiary of any Party which is required or advisable to be obtained in order to permit the Business Combination to be effected and “**Regulatory Approvals**” means all such approvals, consents, waivers, permits, orders or exemptions;

“**Reporting Jurisdictions**” has the meaning ascribed thereto in Section 4.2(e) hereof;

“**Resulting Issuer**” means Navasota after giving effect to the Business Combination as described in this Agreement and renamed “IM Cannabis Corp.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by its board of directors;

“**Resulting Issuer Agent Warrants**” means the compensation options to purchase Resulting Issuer securities to be issued to: (i) holders of IMC Agent Warrants in exchange for their IMC Agent Warrants in accordance with the Merger Exchange Ratio; and (ii) holders of Finco Agent Warrants on a 1:1 basis;

"**Resulting Issuer Convertible Securities**" means, collectively, the Resulting Issuer Options, the Resulting Issuer Warrants and the Resulting Issuer Agent Warrants;

"**Resulting Issuer Options**" means stock options to purchase Resulting Issuer Shares to be issued to the Israeli Trustee who holds the IMC Options in exchange for their IMC Options in accordance with the Merger Exchange Ratio;

"**Resulting Issuer Share**" has the meaning ascribed thereto in Section 2.1(f)(ii)(B) hereof;

"**Resulting Issuer Warrants**" means common share purchase warrants to purchase Resulting Issuer Shares to be issued to: (i) the holders of the IMC Warrants in exchange for their IMC Warrants in accordance with the Merger Exchange Ratio; and (ii) the holders of Finco Warrants on a 1:1 basis;

"**Securities Authorities**" means the applicable securities commissions or similar securities regulatory authorities in each of the Reporting Jurisdictions, and the CSE;

"**Surviving Company**" means the corporation resulting and continuing from the Merger;

"**Surviving Company Shares**" means the ordinary shares in the share capital of the Surviving Company;

"**Subco1**" means Navasota Acquisition Ltd., limited liability company number 515881027, a corporation incorporated under the laws of the State of Israel as a wholly-owned Subsidiary of Navasota for the sole purpose of effecting the Merger;

"**Subco1 Meeting**" means a special meeting of the Subco1 Shareholder to be held in order to seek shareholder approval for the Merger;

"**Subco1 Shares**" means the ordinary shares in the capital of Subco1;

"**Subco1 Shareholder**" means a registered holder of Subco1 Shares, from time to time, and "**Subco1 Shareholders**" means all such holders;

"**Subco2**" means 1215324 B.C. Ltd., a company incorporated under the laws of the Province of British Columbia as a wholly-owned Subsidiary of Navasota for the sole purpose of effecting the Amalgamation;

"**Subco2 Shares**" means the common shares in the capital of Subco2;

"**Subscription Receipt Agreement**" means the subscription receipt agreement to be entered into among Finco, Navasota, IMC, Cormark Securities Inc., and a subscription receipt agent to be selected by the parties thereto setting out the terms and conditions of the Subscription Receipts;

"**Subscription Receipts**" has the meaning ascribed to such term in Section 2.1(d);

"**Subsidiary**" has the meaning ascribed thereto in the BCBCA;

"**Taxes**" has the meaning ascribed thereto in Section 4.1(p) hereof;

"**Tax Ordinance**" means the Israeli Income Tax Ordinance [New-Version] – 1961, as amended, and the rules and regulations promulgated thereunder;

"**U.S. Accredited Investor**" means an accredited investor as defined in Rule 501(a) under the U.S. Securities Act;

"**U.S. Person**" has the meaning ascribed to such term in Rule 902(k) of Regulation S under the U.S. Securities Act;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.

1.2 Amendment and Restatement

This Agreement amends and restates the Business Combination Agreement in its entirety effective as of the date hereof.

1.3 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.4 Deemed Currency

In the absence of a specific designation of any currency any undescribed dollar amount herein shall be deemed to refer to Canadian dollars.

1.5 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents hereto and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement to Articles and Sections refer to Articles and Sections of and to this Agreement in which such reference is made.

1.6 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

1.7 Governing Law

This Agreement shall be governed by and interpreted in accordance with the Laws of the Province of Ontario and the Laws of Canada applicable therein. Each Party hereby irrevocably attorns to the jurisdiction of the Courts of the Province of Ontario sitting in and for the judicial district of Toronto in respect of all matters arising under or in relation to this Agreement. Notwithstanding the foregoing, the Merger and the Merger Proposal will be governed by the laws of the State of Israel.

1.8 Attornment

The Parties hereby irrevocably and unconditionally consent to and submit to the courts of the Province of Ontario for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the addresses of the Parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against either Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Ontario and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.9 Schedules and Exhibits

Schedule A – "Amalgamation Agreement" forms an integral part of this Agreement.

ARTICLE 2
THE BUSINESS COMBINATION

2.1 Business Combination Steps

IMC and Navasota agree to effect the combination of their respective businesses and assets by way of a series of steps or transactions including the Financing, the Consolidation, the Merger, the Amalgamation, the IMC Director Appointments and the Navasota Name Change. Each Party hereby agrees that as soon as reasonably practicable after the date hereof or at such other time as is specifically indicated below in this 2.1, and subject to the terms and conditions of this Agreement, it shall take the following steps indicated for it:

(a) **IMC Meeting**. IMC shall duly call and convene the IMC Meeting (or in the alternative, IMC may obtain approval of the IMC Shareholders by consent resolution) at which the IMC Shareholders will be asked to approve the Merger described in this Agreement and the Merger Proposal and IMC shall use all commercially reasonable efforts to obtain the approval of the IMC Shareholders for the foregoing matters.

(b) **Navasota Meeting**. Navasota shall duly call and convene the Navasota Meeting at which the Navasota Shareholders will be asked to approve, among other things, the Consolidation, the IMC Director Appointments and the Navasota Name Change. The Parties acknowledge and confirm that such Navasota Meeting was duly called and convened on November 12, 2018 whereby the Navasota Shareholders approved the Consolidation, the IMC Director Appointments and the Navasota Name Change.

(c) **Subco1 Meeting**. Subco1 shall duly call and convene the Subco1 Meeting (or in the alternative, Subco1 may obtain approval of the Subco1 Shareholder by consent resolution) at which the Subco1 Shareholder will be asked to approve the Merger described in this Agreement and the Merger Proposal, and Subco1 shall use all commercially reasonable efforts to obtain the approval of the Subco1 Shareholder for the foregoing matters.

(d) **Financing of Finco**. Prior to the Effective Time, certain investors will invest cash for subscription receipts (the "**Subscription Receipts**") of Finco, with each Subscription Receipt representing the right of the holder thereof to receive, in certain circumstances set forth in the terms attached to the Subscription Receipts, one Finco Share and one half (1/2) of one (1) Finco Warrant, without any further act and for no additional consideration.

(e) **Consolidation**. Following the receipt of shareholder approvals at the IMC Meeting, the Subco1 Meeting and the Navasota Meeting, and immediately prior to the filing of the Merger Proposal, Navasota shall take all necessary corporate steps to complete the Consolidation following which Navasota will have approximately 3,455,394 Navasota Shares (subject to rounding) issued and outstanding. No fractional Post-Consolidation Navasota Shares will be delivered to any Navasota Shareholder otherwise entitled thereto and in accordance with the BCBCA, each fractional share that is less than half of a share will be cancelled and each fractional share that is at least half of a share will be changed to a whole share.

(f) **Israeli Merger**. At the Effective Time and immediately prior to the exchange of the Subscription Receipts for Finco Shares:

(i) IMC and Subco1 shall merge by way of a merger under the Companies Law in accordance with Article 3 hereof whereby the separate corporate existence of Subco1 (as the target company, or *Chevrat ha'Ya'ad*) shall cease and IMC (as the absorbing company or *HaChevra Ha'Koletet*) shall continue as the Surviving Company.

(ii) As a result of the Merger:

(A) IMC shall continue to be governed by the laws of the State of Israel and have a registered office in the State of Israel;

(B) the Israeli Trustee shall receive, on behalf of the holders of outstanding IMC Shares, ten (10) Post-Consolidation Navasota Shares for each IMC Share held (such ratio being the "**Merger Exchange Ratio**"), and each such Post-Consolidation Navasota Share, after giving effect to the Business Combination, is herein referred to as a "**Resulting Issuer Share**"; no fractional Resulting Issuer Shares shall be issued to holders of IMC Shares or the Israeli Trustee; in the event of any fractional entitlement, the number of Resulting Issuer Shares issued to each former holder of IMC Shares shall be rounded down to the next lesser whole number of Resulting Issuer Shares without any payment in respect of such fractional Resulting Issuer Share;

(C) Resulting Issuer Options, Resulting Issuer Warrants and Resulting Issuer Agent Warrants shall be issued to the Israeli Trustee on behalf of the holders of the IMC Options, IMC Warrants and IMC Agent Warrants respectively, in exchange and replacement for, on an equivalent basis and giving effect to the Merger Exchange Ratio, such IMC Options, IMC Warrants and IMC Agent Warrants, which shall thereby be cancelled;

(D) as consideration for the issuance of the Navasota Shares to the Israeli Trustee to hold such shares on behalf of the holders of IMC Shares to effect the Merger, the IMC Shares held by such holders will be transferred and conveyed to Navasota;

(E) IMC shall succeed to and assume all of the rights, properties and obligations of Subco1 in accordance with the Companies Law; and

(F) the Surviving Company will be a wholly-owned Subsidiary of Navasota.

(g) **Exchange of Subscription Receipts**. The Subscription Receipts will automatically be exchanged for Finco Shares and Finco Warrants pursuant to the terms and conditions of the Subscription Receipts and the Subscription Receipt Agreement.

(h) **Amalgamation**. At the Effective Time and following the exchange of the Subscription Receipts for Finco Shares and Finco Warrants:

(i) Navasota and Finco will effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" among Navasota, Subco2 and Finco in accordance with the provisions of the BCBCA.

(ii) Navasota, as sole shareholder of each of Subco2 and Finco prior to the exchange of the Subscription Receipts, will deliver a consent resolution in writing for each of Subco2 and Finco approving the Amalgamation.

(iii) Subco2 and Finco shall jointly complete and file the Amalgamation Application with the British Columbia Registrar of Companies under the BCBCA.

(iv) Upon the issuance of a Certificate of Amalgamation giving effect to the Amalgamation, Subco2 and Finco shall be amalgamated and shall continue as one company effective on the date of the Certificate of Amalgamation (the "**Effective Date**") under the terms and conditions prescribed in the Amalgamation Agreement.

(v) As a result of the Amalgamation:

(A) each holder of Finco Shares other than Navasota shall receive one fully paid and non-assessable Resulting Issuer Share for each Finco Share held, following which all such Finco Shares shall be cancelled;

(B) Resulting Issuer Warrants and Resulting Issuer Agent Warrants will be issued to the holders of Finco Warrants and Finco Agent Warrants respectively, in exchange and replacement for, on equivalent terms and on a 1:1 basis, such Finco Warrants and Finco Agent Warrants, which shall thereby be cancelled;

(C) Navasota shall receive one fully paid and non-assessable Amalco Share for each one Subco2 Share held by Navasota, following which all such Subco2 Shares shall be cancelled;

(D) in consideration of the issuance of Resulting Issuer Shares pursuant to Section 2.1(h)(v)(A), Amalco shall issue to Navasota one Amalco Share for each Resulting Share issued;

(E) Navasota shall add to the capital maintained in respect of the Resulting Issuer Shares an amount equal to the aggregate paid-up capital for purposes of the *Income Tax Act* (Canada) of the Finco Shares immediately prior to the Effective Time;

(F) Amalco shall add to the capital maintained in respect of the Amalco Shares an amount such that the stated capital of the Amalco Shares shall be equal to the aggregate paid-up capital for purposes of the *Income Tax*

Act (Canada) of the Subco2 Shares and Finco Shares immediately prior to the Amalgamation;

(G) no fractional Resulting Issuer Shares shall be issued to holders of Finco Shares; in the event of any fractional entitlement, the number of Resulting Issuer Shares issued to each former holder of Finco Shares shall be rounded down to the next lesser whole number of Resulting Issuer Shares without any payment in respect of such fractional Resulting Issuer Share;

(H) Navasota shall be entitled to deduct and withhold from any consideration otherwise payable pursuant to transactions contemplated by this Agreement to any holder of Finco Shares such amounts as are required to be deducted and withheld with respect to such payment under the *Income Tax Act* (Canada) or any provision of provincial, state, local or foreign tax law, in each case as amended; to the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the Finco Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority; and

(I) Amalco will become a wholly-owned Subsidiary of Navasota.

(i) **Reconstitution of Board and Name Change**. Immediately following the receipt of the Certificate of Amalgamation, Navasota will: (i) reconstitute its board of directors to give effect to the IMC Director Appointments, and (ii) effect the Navasota Name Change.

(j) **CSE Listing and Escrow**. The Resulting Issuer Shares will become listed on the CSE. The Parties acknowledge that the CSE will require some or all of the Resulting Issuer Shares issued pursuant to the Business Combination to be held in escrow and IMC and Navasota, as applicable, agree to comply and use its reasonable efforts to cause its shareholders to comply with all such escrow requirements of the CSE, provided that all Parties agree to use their reasonable commercial efforts to obtain the most advantageous escrow terms for holders of IMC Shares.

(k) **Trustee for Shares**. With respect to Israeli tax, all securities issued to the IMC Shareholders and IMC Convertible Securities holders (collectively, the "**IMC Holders**") shall be retained by the Israeli Trustee for a period of up to one hundred and eighty (180) days from the Effective Time of this Agreement with respect of each applicable portion of each IMC Holder's consideration or as otherwise required by the ITA (the "**Withholding Deadline**") (during which time neither Navasota nor the Trustee shall withhold any Israeli tax on such consideration unless explicitly required to do so by the ITA and except as provided below), and during which time each such IMC Holder (acting for itself or through an agent) may obtain a certification or ruling (a "**Withholding Certificate**") issued by the ITA, in form and substance reasonably acceptable to Navasota and the Israeli Trustee (A) exempting Navasota and the Israeli Trustee from the duty to withhold Israeli taxes with respect to the applicable consideration of such IMC Holder, (B) determining the applicable rate of Israeli tax to be imposed on the applicable consideration of such IMC Holder, or (C) providing any other instructions regarding the payment or withholding with respect to the applicable consideration of such IMC Holder. In the event that prior to the Withholding Deadline, an IMC Holder (or an agent acting on its behalf) submits to the Israeli Trustee a Withholding Certificate, in form and substance reasonably acceptable to Navasota, the Israeli Trustee shall act in accordance with the provisions of such Withholding Certificate.

(l) **Withholding**. If any IMC Holder entitled to payment hereunder (A) does not provide the Israeli Trustee with a Withholding Certificate, prior to the Withholding Deadline, or (B) submits a written request to the Israeli Trustee to release his, her or its portion of the applicable consideration prior to the Withholding Deadline and fails to submit a Withholding Certificate, at or prior to such time, then the amount to be withheld from such IMC Holder's portion of the applicable consideration shall be calculated according to the applicable withholding rate as determined in good faith by the Israeli Trustee according to the Tax Ordinance.

(m) **Cooperation**. Navasota shall cooperate with IMC and IMC Holders and their counsel with respect to the preparation and filing of any applicable tax ruling(s), including interim rulings, issued by the ITA and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain such ruling(s). Subject to the terms and conditions hereof, the parties shall use reasonable efforts to promptly take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to obtain any such rulings, as promptly as practicable. Notwithstanding the provisions of Section 2.1(k) above, if such applicable tax rulings shall be received and delivered to the Israeli Trustee prior to the Withholding Deadline, then the provisions of such rulings shall apply and all applicable withholding and reporting procedures shall be made in accordance with the provisions of such rulings and the relevant sections of the Tax Ordinance according to which such rulings were issued. IMC will inform Navasota in advance of meetings and discussions with the ITA with respect to the Ruling (as defined below) and allow, if deemed necessary by IMC, Navasota's counsel to attend such meetings and participate in such discussions. The counsel of IMC shall provide Navasota's counsel with an update of meetings and discussions held with the ITA with respect to the Ruling, within reasonable time and to the extent deemed necessary by IMC's counsel. Furthermore, IMC shall allow Navasota to review and comment on any application or submission made to the ITA with regard to the Rulings and IMC shall adequately address such comments and revise the language if deemed necessary.

(n) **Other Actions, etc**. The Parties shall take any other action and do anything, including the execution of any other agreements, documents or instruments that are necessary or useful to give effect to the Business Combination.

2.2 Implementation Covenants

(a) **Listing Statement.** IMC and Navasota shall use commercially reasonable efforts to jointly prepare the Listing Statement together with any other documents required by applicable Laws in connection with the Business Combination and shall jointly file the final Listing Statement required by applicable Laws as soon as reasonably practicable and shall use all commercially reasonable efforts to file the final Listing Statement prior to the Completion Deadline.

(b) **Preparation of IMC Meeting Documentation.** IMC shall duly prepare documentation required in connection with the IMC Meeting, and deliver such documentation to IMC Shareholders.

(c) **Preparation of Navasota Meeting Documentation.** Navasota shall duly prepare documentation required in connection with the Navasota Meeting, and deliver such documentation to Navasota Shareholders.

(d) **Resolution in Lieu of Subco1 Shareholder Meeting.** Navasota, as sole shareholder of Subco1, shall waive notice of and its attendance at a meeting of the shareholders of Subco1 to approve the Merger and shall sign a resolution in writing as the sole shareholder of Subco1 approving the Merger.

(e) **Resolutions in Lieu of Subco2 and Finco Shareholder Meetings**. Navasota, as sole shareholder of each of Subco2 and Finco, shall waive notice of and its attendance at a meeting of the shareholders of each of Subco1 and Finco to approve the Amalgamation and shall sign a resolution in writing as the sole shareholder of each of Subco1 and Finco approving the Amalgamation.

(f) **Listing.** Navasota shall use all commercially reasonable efforts to have the Resulting Issuer Shares listed on the CSE.

(g) **Preparation of Filings.** IMC and Navasota shall cooperate in the preparation of any documents and taking of all actions reasonably deemed by IMC or Navasota to be necessary to discharge their respective obligations under applicable Laws in connection with the Business Combination and all other matters contemplated in the Documents, and in connection therewith:

(i) each of IMC and Navasota shall furnish to the other all such information concerning it and its shareholders as may be required to effect the actions described in this Article 2, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Business Combination will contain any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is furnished or to be used;

(ii) IMC and Navasota shall each promptly notify the other if at any time before the Effective Date it becomes aware that the Listing Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Listing Statement. In any such event, IMC and Navasota shall cooperate in the preparation of a supplement or amendment to the Listing Statement, as required and as the case may be, and, if required, shall cause the same to be filed with the applicable Securities Authorities; and

(iii) each of IMC and Navasota shall ensure that the Listing Statement complies with all applicable Laws and, without limiting the generality of the foregoing, that the Listing Statement does not contain any untrue statement of a material fact or omit to state a material fact with respect to itself required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

2.3 Board of Directors and Senior Officers

Each of the Parties hereby agrees that upon completion of the Business Combination and giving effect to the IMC Director Appointments, and subject to approval by the CSE, the board of directors and senior officers of the Resulting Issuer shall consist of the following:

Name	Title
Oren Shuster	Director, Chief Executive Officer and Board Chairman
Steven Mintz	Director
Marc Lustig	Director
Jesse Kaplan	Director
Shai Shemesh	Chief Financial Officer
Amir Goldstein	Chief Operating Officer

2.4 Accredited Investor Status of U.S. Holders

Each holder of IMC Shares, IMC Warrants, IMC Options, IMC Agent Warrants, Finco Shares or Finco agent warrants who is resident in the United States or otherwise a "U.S. Person", as defined in Regulation S under the U.S. Securities Act, is in the United States, or consents to the Business Combination from within the United States, will, as a condition of receiving Resulting Issuer Shares or Resulting Issuer Convertible Securities, as applicable, upon completion of the Business Combination, be required to deliver a certificate in a form satisfactory to Navasota and IMC as to their status as a U.S. Accredited Investor, together with any supporting information as reasonably requested by Navasota or IMC in order to confirm their status or information regarding the availability of an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws for the issuance of such securities of the Resulting Issuer to such holder and any certificate representing such securities delivered to such holder shall bear a U.S. legend substantially in the following form:

> "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR UNDER ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH CANADIAN LOCAL LAWS AND REGULATIONS, (C) IN COMPLIANCE WITH (I) RULE 144A OF THE U.S. SECURITIES ACT, IF APPLICABLE, TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE OFFER, SALE OR TRANSFER IS BEING MADE IN RELIANCE OF RULE 144A, OR (II) RULE 144 OF THE U.S. SECURITIES ACT, IF APPLICABLE, AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF (C)(II) AND (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE

"GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."

In addition, all Resulting Issuer Convertible Securities will also bear the following legend:

"THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES DELIVERABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"). THIS SECURITY MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR ON BEHALF OF A U.S. PERSON OR PERSON IN THE UNITED STATES UNLESS THE SHARES ISSUABLE UPON EXERCISE OF THIS SECURITY HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS ARE AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT."

ARTICLE 3
ISRAELI MERGER

3.1 Merger Proposal and IMC Meeting

(a) As promptly as practicable after the execution and delivery of this Agreement:

(i) IMC and Subco1 shall complete and execute the Merger Proposal in the form reasonably acceptable to Navasota;

(ii) IMC and Subco1 shall cause the Merger Proposal to be executed in accordance with Section 316 of the Companies Law;

(iii) IMC shall call the IMC Meeting; and

(iv) each of IMC and Subco1 shall deliver the Merger Proposal to the Israeli Registrar of Companies within three days from the calling of the IMC Meeting in accordance with Section 317(a) of the Companies Law.

3.2 Notice to Creditors

(a) IMC and Subco1 shall cause a copy of the Merger Proposal to be delivered to each of their respective secured creditors, if any, no later than three days after the date on which the Merger Proposal is delivered to the Israeli Registrar of Companies, and each of their respective material creditors, if any, no later than three days after the date on which the Merger Proposal is delivered to the Israeli Registrar of Companies, and shall promptly inform their respective non-secured creditors of the Merger Proposal and its contents in accordance with Section 318 of the Companies Law and the regulations promulgated thereunder.

(b) In addition to the foregoing, IMC and, if applicable, Subco1, shall:

(i) publish a notice to its creditors, stating that a Merger Proposal was submitted to the Israeli Registrar of Companies and that the creditors may review the Merger Proposal at the office of the Israeli Registrar of Companies, IMC's registered offices or Subco1's registered offices, as applicable, and at such other locations as IMC or Subco1, as applicable, may determine, in (i) two daily Hebrew newspapers and a newspaper in such other locations as required by the Companies Law, on the day that the Merger Proposal is submitted to the Israeli Registrar of Companies, and (ii) if required, in such other manner as may be required by any applicable law and regulations;

(ii) within four business days from the date of submitting the Merger Proposal to the Israeli Registrar of Companies, send a notice by registered mail to all of the "**Substantial Creditors**" (as such term is defined in the regulations promulgated under the Companies Law) that IMC or Subco1, as applicable, is aware of, in which it shall state that a Merger Proposal was submitted to the Israeli Registrar of Companies and that the creditors may review the Merger Proposal at such additional locations, if such locations were determined in the notice referred to in paragraph (A) above;

(iii) display in a prominent place at IMC's premises a copy of the notice published in a daily Hebrew newspaper, no later than three business days following the day on which the Merger Proposal was submitted to the Israeli Registrar of Companies;

(iv) after having complied with the foregoing, IMC and Subco1 shall promptly inform the Israeli Registrar of Companies, but in any event no later than three days following the date on which such notices were sent to the creditors and/or published, applicable, in accordance with Section 317(b) of the Companies Law, that notice was given to their respective creditors under Section 318 of the Companies Law and the regulations promulgated thereunder; and

(v) for the purposes of this Article 3 only, the term "**business day**" shall have the meaning set forth in the Israeli Merger Regulations 5760-2000 promulgated under the Companies Law.

3.3 Certificate of Merger

(a) In accordance with customary practice with the Israeli Registrar of Companies, Subco1 and IMC shall request that the Israeli Registrar of Companies declare the Merger effective on the Effective Date and issue the Certificate of Merger upon such date.

(b) For the avoidance of doubt, the completion of the statutory merger process and the request for issuance of a Certificate of Merger from the Israeli Registrar of Companies shall be subject to coordination by the Parties and fulfillment or waiver of all of the conditions set forth in Article 6 below.

(c) For the further avoidance of doubt, and notwithstanding any provision of this Agreement to the contrary, it is the intention of the parties that the Merger shall be declared effective and the Certificate of Merger shall be issued on the Effective Date, as a condition to the Amalgamation taking place.

3.4 Share Exchange under the Merger

(a) Upon the issuance of the Certificate of Merger: (i) the Israeli Trustee shall be deemed to be the registered holder of the Resulting Issuer Shares, on behalf of the IMC

Shareholders which are entitled to such Resulting Issuer Shares hereunder; (ii) the Resulting Issuer shall deposit such Resulting Issuer Shares with the Depositary and/or the electronic positions representing such Resulting Issuer Shares with CDS, as applicable, to satisfy the consideration issuable to such IMC Shareholders; and (iii) certificates formerly representing IMC Shares which are held by such IMC Shareholders shall cease to represent any claim upon or interest in IMC other than the right of the registered holder to receive the number of Resulting Issuer Shares to which it is entitled hereunder, all in accordance with the provisions of the Merger Proposal.

(b) As soon as reasonably practicable after the Effective Date, the Depositary will forward to, or hold for pick-up by, each former IMC Shareholder that submitted a duly completed Letter of Transmittal, a DRS Statement or other evidence of entitlement to the Depositary, together with the certificate (if any) representing the IMC Shares held by such IMC Shareholder or such other evidence of ownership of such IMC Shares as is satisfactory to the Depositary, acting reasonably, (i) the certificates or DRS Statements representing the Resulting Issuer Shares to which such IMC Shareholder is entitled, in accordance with its Letter of Transmittal, or (ii) confirmation of a non-certificated electronic position transfer in CDS representing the Resulting Issuer Shares to which such IMC Shareholder is entitled, in accordance with its Letter of Transmittal, all in accordance with the provisions of the Merger Proposal.

(c) The Resulting Issuer, as the registered holder of the Subco1 Shares, shall be deemed to be the beneficiary of the Surviving Company Shares to which it is entitled hereunder, which shall be held by the Israeli Trustee for its benefit, and the Israeli Trustee shall be entitled to receive, on behalf of the Resulting Issuer, a share certificate representing the number of Surviving Company Shares to which the Resulting Issuer is entitled hereunder. Until delivery of such certificate, the share certificate or certificates representing the Subco1 Shares held by the Resulting Issuer will be evidence of the Resulting Issuer's right to be registered as a shareholder of the Surviving Company. Share certificates evidencing Subco1 Shares shall cease to represent any claim upon or interest in Subco1 other than the right of the registered holder to receive the number Surviving Company Shares to which it is entitled pursuant to the terms hereof and the Merger.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of IMC

IMC hereby represents and warrants to Navasota, and acknowledges that Navasota is relying upon such representations and warranties in connection with the entering into of this Agreement, as follows:

(a) IMC has been duly incorporated and is validly existing under the laws of the State of Israel and, except as listed in the Disclosure Letter, is current and up-to-date with all filings required to be made by it in such jurisdiction;

(b) Each of the IMC Subsidiaries has been duly incorporated and is validly existing under the laws of its jurisdiction of formation and is current and up-to-date with all filings required to be made by it in such jurisdiction, and all of the issued shares in the capital of each of the IMC Subsidiaries are owned directly or indirectly by IMC, free and clear of any pledge, lien, security interest, charge, claim or encumbrance or in relation to inter-corporate security;

(c) IMC has full corporate power, capacity and authority to undertake all steps of the Business Combination contemplated in the Documents and to carry out its obligations under this Agreement;

(d) the authorized capital of IMC consist of 20,000,000 IMC Shares, of which, at the date hereof, there are 12,282,749 IMC Shares issued and outstanding; except for such IMC Shares and the IMC Convertible Securities, IMC has no other securities issued and outstanding at the date hereof;

(e) neither IMC nor any one of the IMC Subsidiaries is a party to and has not granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any IMC Shares or any shares of any one of the IMC Subsidiaries, or securities convertible into or exchangeable for IMC Shares or shares of any IMC Subsidiary other than under the terms of the IMC Restructuring Documents and the IMC Convertible Securities;

(f) IMC is not a reporting issuer nor an associate of any reporting issuer (as defined in the *Securities Act* (Ontario) or the *Securities Act* of any other province of Canada) and the IMC Shares do not trade on any exchange, including, without limitation, the Tel Aviv Stock Exchange;

(g) except as listed in the Disclosure Letter, IMC and each of the IMC Subsidiaries has all requisite corporate capacity, power and authority, and possesses all certificates, authority, permits and licenses issued by the appropriate state, provincial, municipal or federal regulatory agencies or bodies necessary to conduct the business as now conducted by IMC on a consolidated basis, and to own its assets, and is in compliance in all material respects with such certificates, authorities, permits or licenses. Neither IMC nor any one of the IMC Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority, permit or license which, singly or in the aggregate, if the subject of an unfavourable decision, order, finding or ruling, would adversely affect the conduct of the business, operations, financial condition, income or future prospects of IMC on a consolidated basis. Neither IMC nor any one of the IMC Subsidiaries has any responsibility or obligation to pay any commission, royalty, license or similar payment to any person (other than mandatory payments to the appropriate state, provincial, municipal or federal regulatory agencies and applicable laws of Israel) with respect thereto;

(h) IMC and each of the IMC Subsidiaries is the absolute legal and beneficial owner of, and has good and marketable title to, all of the material property or assets thereof free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever;

(i) each of the Documents has been or at the Effective Time will be, duly authorized, and with respect to this Agreement, executed and delivered by IMC and constitutes a valid and binding obligation of IMC enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in applicable laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally) and no other corporate proceeding on the part of IMC, other than the submission of the Merger to the IMC Shareholders and as specified in this Agreement, is necessary to authorize this Agreement and the transactions contemplated hereby;

(j) the entering into and the performance by IMC of the Business Combination contemplated in the Documents: (a) do not require any consent, approval, authorization or order of any court or governmental agency, body or Government Authority, except that which may be required under applicable corporate and securities legislation and the policies of the CSE and as specified in this Agreement; (b) will not contravene any statute or regulation of any Government Authority which is binding on IMC or any of the IMC Subsidiaries where such contravention would have a Material Adverse Effect; and (c) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents, by-laws or resolutions of IMC or any of the IMC Subsidiaries or any mortgage, note, indenture, contract or agreement instrument, lease or other document to which IMC or any of the IMC Subsidiaries is a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would have a Material Adverse Effect;

(k) there are no legal, regulatory, governmental or similar proceedings pending or, to the knowledge of IMC, contemplated or threatened, to which IMC or any one of the IMC Subsidiaries is a party or to which the property of IMC or any of the IMC Subsidiaries is subject;

(l) IMC and each of the IMC Subsidiaries maintains insurance against loss or damage in respect of its assets, business and operations, with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses;

(m) IMC is not aware of any legislation, which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of IMC or the IMC Subsidiaries;

(n) except as listed in the Disclosure Letter, and other than the requirements under the applicable laws of Israel, neither IMC nor any one of the IMC Subsidiaries is party to or bound or affected by any commitments, agreement or document containing any covenant which expressly limits the freedom of IMC and the IMC Subsidiaries to compete in any line of business or with any person other than for certain exclusive distribution arrangements in particular territories, or to transfer or move any of its assets or operations;

(o) IMC and the IMC Subsidiaries own and possess adequate enforceable rights to use all trademarks, patents, copyrights and trade secrets used or proposed to be used in the conduct of the business thereof and, to the knowledge of IMC, neither IMC nor any of the IMC Subsidiaries is infringing upon the rights of any other person with respect to any such trademarks, patents, copyrights or trade secrets and, no person has infringed any such trademark, patents, copyrights or trade secrets;

(p) all taxes (including income taxes, capital tax, payroll taxes, employer health taxes, workers' compensation payments, property taxes, sales, use, goods and services taxes, value-added taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by IMC and the IMC Subsidiaries have been paid or a provision made therefor except where the failure to pay such Taxes would not result in a Material Adverse Effect for IMC or the IMC Group. All tax returns, declarations, remittances and filings required to be filed by IMC and the IMC Subsidiaries have been filed with all appropriate Government Authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of IMC, no examination of any tax return of IMC or any one of the IMC Subsidiaries is currently in progress and there are no issues or disputes outstanding with any Government Authority respecting any Taxes that have been paid, or may be payable, by IMC and the IMC Subsidiaries. There are no agreements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to IMC or any of the IMC Subsidiaries;

(q) Other than in connection with the Financing, there is no person, firm or company acting or purporting to act at the request of IMC who is or will be entitled to any brokerage or finder's fee in connection with the transactions contemplated herein;

(r) Except as disclosed in Disclosure Letter, IMC and each of the IMC Subsidiaries has conducted and is conducting its business in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and with all Laws material to its operation, and neither IMC nor any one of the IMC Subsidiaries has received any notice of the revocation or cancellation of, or any intention to revoke or cancel, any of the licenses, leases or other instruments conferring rights to IMC or any one of the IMC Subsidiaries for the conduct of their business;

(s) to the knowledge of IMC, all activities of IMC and the IMC Subsidiaries have been, up to and including the date hereof, conducted in compliance, in all material respects, with any and all applicable Laws, including, without limitation, Environmental Laws as defined below;

(t) to the knowledge of IMC, any and all material agreements pursuant to which IMC or any one of the IMC Subsidiaries holds any of their material assets are valid and subsisting agreements in full force and effect, enforceable in accordance with their respective terms, neither IMC nor any of the IMC Subsidiaries is in default of any of the material provisions of any such agreements including, without limitation, failure to fulfil any payment or work obligation thereunder nor has any such default been alleged, IMC is not aware of any material disputes with respect thereto and such assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, all leases, licenses and concessions pursuant to which IMC and the IMC Subsidiaries derive their interests in such material assets are in good standing and there has been no material default under any such leases, licenses and concessions and all real or other property taxes required to be paid with respect to such assets to the date hereof have been paid;

(u) to the knowledge of IMC, all the properties in which IMC or the IMC Subsidiaries have any freehold, leasehold, license or other interest are free and clear of any hazardous or toxic material, pollution, or other adverse environmental conditions which may give rise to any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursement or expenses (including, without limitation, attorneys' fees and costs, experts' fees and costs, and consultant's fees and costs) of any kind or of any nature whatsoever that are asserted against IMC or any of the IMC Subsidiaries, alleging liability (including, without limitation, liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, contaminant costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages, business losses, personal injuries, penalties or fines) arising out of, based on or resulting from (i) the presence, release, threatened release, discharge or emission into the environment of any hazardous materials or substances existing or arising on, beneath or above properties and/or emanating or migrating and/or threatening to emanate or migrate from such properties to off-site properties; (ii) physical disturbance of the environment; and (iii) the violation or alleged violation of all applicable Laws aimed at reclamation or restoration of such properties; abatement of pollution; protection of the environment, protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural and historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances as wastes into the environment, including without limitation, ambient air, surface water and groundwater; and all other applicable Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (collectively, "**Environmental Laws**"); and to the knowledge of IMC, after due inquiry, all environmental approvals required pursuant to Environmental Laws with respect to activities carried out on any part of the lands covered by such properties, have been obtained, are valid and in full force and effect and have been complied with; and there are no proceedings commenced or threatened to revoke or amend any such environmental approvals;

(v) except as disclosed in the Disclosure Letter, neither IMC nor any one of the IMC Subsidiaries has any loan or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is defined in the *Income Tax Act* (Canada));

(w) to the knowledge of IMC, there are no outstanding labour disputes, (whether filed or lodged with IMC or any of the IMC Subsidiaries or any other person or organization), pending labour disruptions or pending unionization with respect to IMC or the IMC Subsidiaries;

(x) except for expansion orders that are applicable to the entire industry, neither IMC nor any one of the IMC Subsidiaries is bound by or a party to any collective bargaining agreement;

(y) there is not, in the constating documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which IMC or any one of the IMC Subsidiaries is a party, any restriction upon or impediment to the declaration or payment of dividends by the directors of IMC or the IMC Subsidiaries or the payment of dividends by IMC or the IMC Subsidiaries to the holders of their securities;

(z) except as disclosed in the Disclosure Letter, neither IMC nor any one of the IMC Subsidiaries is party to any loan, bond, debenture, promissory note or other instrument evidencing indebtedness (demand or otherwise) for borrowed money ("**Debt Instrument**") or any agreement contract or commitment to create, assume or issue any Debt Instrument;

(aa) except as disclosed in the Disclosure Letter, neither IMC nor any one of the IMC Subsidiaries is a party to any agreement, nor is IMC nor any one of the IMC Subsidiaries aware of any agreement, which in any manner affects the voting control of any of the IMC Shares or other securities of IMC or the IMC Subsidiaries;

(bb) neither IMC nor any one of the IMC Subsidiaries is aware of any pending or contemplated change to any applicable Law or governmental position that would materially affect the business of IMC or the IMC Subsidiaries taken as a whole or the legal environments under which IMC and the IMC Subsidiaries operate;

(cc) no representation, warranty or statement of IMC in this Agreement contains or will contain at the Effective Time any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which made, not misleading;

(dd) the corporate records and minute books of IMC and the IMC Subsidiaries contain, in all material respects, minutes of all meetings of the directors and shareholders since their respective dates of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed; and

(ee) IMC has performed all of the obligations required to be performed by it and is entitled to all benefits under, and is not in default or alleged to be in default in respect of, any of the IMC Restructuring Documents. All such IMC Restructuring Documents are in good standing and in full force and effect, and no event, condition or occurrence exists that, after notice or lapse of time or both, would constitute a default under any such IMC Restructuring Document. There is no dispute between the IMC and any other party under any such IMC Restructuring Documents. None of the IMC Restructuring Documents contain terms under which the execution or performance of this Agreement would give any other contracting party the right to terminate or adversely change the terms of that IMC Restructuring Document or otherwise require the consent of any other Person. None of the IMC Restructuring Documents have been assigned in whole or in part.

(ff) As of the date hereof, the Disclosure Letter set forth a list of all material agreements of IMC (each, a "**Material Contract**"). Other than as set forth in the Disclosure Letter, there are no agreements, understandings, arrangements or other commitments, written or oral, to which IMC is a party or by which it is bound which are deemed material to IMC and of which IMC is aware. Each Material Contract that is listed in the Disclosure Letter is, to IMC's knowledge, in full force and effect (according to its terms).

(gg) The Disclosure Letter sets forth all of the contracts to which IMC and/or any of its Subsidiaries is a party or by which it is bound.

(hh) The responses given by IMC and its officers and directors in the Due Diligence Session were true and correct where they relate to matters of fact in all material respects as at the time such responses were given and at the date hereof, and such responses taken as a whole do not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given. Where such responses reflect the opinion or view of IMC or such officers and directors (including, responses or portions of such responses, which are forward-looking or otherwise relate to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)), such opinions or views were honestly held and believed to be reasonable at the time they were given and at the date hereof.

4.2 Representations and Warranties of Navasota

Navasota hereby represents and warrants to IMC, and acknowledges that IMC is relying upon these representations and warranties in connection with the entering into of this Agreement, as follows:

(a) Navasota has been duly incorporated and is validly existing under the laws of the Province of British Columbia and is current and up-to-date with all filings required to be made by it in such jurisdiction;

(b) Navasota has full corporate power, capacity and authority to undertake all steps of the Business Combination contemplated in the Documents and to carry out its obligations under this Agreement;

(c) the authorized capital of Navasota consists of an unlimited number of Navasota Shares, of which 9,778,766 Navasota Shares are currently issued and outstanding prior to giving effect to the Consolidation; except for such Navasota Shares and 2,000,000 Navasota Warrants, Navasota has no other securities outstanding nor is it a party to or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any Navasota Shares or securities convertible into or exchangeable for Navasota Shares;

(d) on the Effective Date, the Resulting Issuer Shares will be duly and validly issued and outstanding as fully paid and non-assessable and the Resulting Issuer Convertible Securities will be duly and validly created and issued;

(e) since January 31, 2018, and with the exception of the private placement and debt settlement transactions disclosed in its news releases of April 13, 2018 and June 26, 2018, respectively, the agreements to effect the Business Combination and the Financing, Navasota has not entered into any contract in respect of its business or assets, other than in the ordinary course of business, and has continued to carry on its business and maintain its assets in the ordinary course of business, with the exception of reasonable costs incurred in connection with the Business Combination, and without limitation but subject to the above exceptions, has maintained payables and other liabilities at levels consistent with past practice, not engaged or committed to engage in any extraordinary material transactions and has not made or committed to make distributions, dividends or special bonuses;

(f) Navasota is a reporting issuer, or the equivalent thereof, in the provinces of British Columbia and Alberta (collectively, the "**Reporting Jurisdictions**") and is not currently in default of any requirement of the applicable laws of each of the Reporting Jurisdictions and other regulatory instruments of the Securities Authorities in such provinces, and no order ceasing, halting or suspending trading in securities of Navasota or prohibiting the distribution of such securities has been issued to and is outstanding against Navasota and no investigations or proceedings for such purposes are, to the knowledge of Navasota, pending or threatened;

(g) Navasota is in compliance in all material respects with all its disclosure obligations under applicable Laws and all documents filed by Navasota pursuant to such obligations are in compliance in all material respects with applicable Laws and, other than in respect of documents that have been amended or refiled did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(h) Navasota has no associates (as defined in the *Securities Act* (Ontario)), other than the Navasota Subsidiaries, and is not a partner, co-tenant, joint venturer or otherwise a participant in any partnership, joint venture, co-tenancy or other similarly joint owned business;

(i) Navasota has all requisite corporate capacity, power and authority, and possesses all material certificates, authority, permits and licenses issued by the appropriate state, provincial, municipal or federal regulatory agencies or bodies necessary to conduct the business as now conducted by it and to own its assets and is in compliance in all material respects with such certificates, authorities, permits or licenses. Navasota has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority, permit or license which, singly or in the aggregate, if the subject of an unfavourable decision, order, finding or ruling, would materially and adversely affect the conduct of the business, operations, financial condition, income or future prospects of Navasota;

(j) each of the Documents has been, or at the Effective Time will be, duly authorized and, with respect to this Agreement, executed and delivered by Navasota and constitutes a valid and binding obligation of Navasota enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in applicable laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally) and no other corporate proceeding on the part of Navasota, other than the approval of the matters for which shareholder approval is to be sought at the Navasota Meeting in accordance with this Agreement, is necessary to authorize this Agreement and the transactions contemplated hereby;

(k) the entering into and the performance by Navasota of the transactions contemplated in the Documents:

   (i) do not require any consent, approval, authorization or order of any court or governmental agency or body, except that which may be required under applicable corporate and securities legislation and the policies of the CSE;

   (ii) will not contravene any statute or regulation of any Government Authority which is binding on Navasota where such contravention would have a Material Adverse Effect; and

   (iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents, by-laws or resolutions of Navasota or any mortgage, note, indenture, contract or agreement, instrument, lease or other document to which Navasota is or will be a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would have a Material Adverse Effect;

(l) there are no legal or governmental proceedings pending or, to the knowledge of Navasota, contemplated or threatened, to which Navasota is a party or to which the assets or property of Navasota is subject;

(m) the audited consolidated annual financial statements of Navasota for the years ended April 30, 2019 and 2018 and the notes thereto (collectively, the "**Navasota Financial Statements**"), in each case, have been prepared in accordance with IFRS, present fairly, in all material respects, the financial position of Navasota as at such date, and do not omit to state any material fact that is required by IFRS or by applicable law to be stated or reflected therein or which is necessary to make the statements contained therein not misleading;

(n) Neither Navasota nor any one of the Navasota Subsidiaries has any outstanding material liability, whether direct, indirect, absolute or contingent or otherwise, which is not reflected in the Navasota Financial Statements;

(o) except as disclosed to IMC in writing and as will be disclosed in the Listing Statement, Navasota is not party to any material contract as of the date hereof;

(p) except as disclosed in the Navasota Financial Statements, Navasota has not engaged in any transaction with any non-arm's length person since the beginning of the period covered by the Navasota Financial Statements;

(q) all Taxes due and payable by Navasota have been paid or provision made therefor in the financial statements of Navasota except for where the failure to pay such Taxes would not result in a Material Adverse Effect for Navasota. All tax returns, declarations, remittances and filings required to be filed by Navasota have been filed with all appropriate Government Authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of Navasota, no examination of any tax return of Navasota is currently in progress and there are no issues or disputes outstanding with any Government Authority respecting any Taxes that have been paid, or may be payable, by Navasota. There are no agreements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to Navasota;

(r) there is no person, firm or company acting or purporting to act at the request of Navasota who is entitled to any brokerage or finder's fee in connection with the transactions contemplated in the Documents;

(s) Navasota carries on no active business;

(t) other than any non-compliance which would not result in a Material Adverse Effect in respect of Navasota, to the knowledge of Navasota, after due inquiry all activities of Navasota have been, up to and including the date hereof, conducted in compliance, in all material respects, with any and all applicable Laws;

(u) Navasota is not bound by or a party to any employment contracts. No current or former director, officer, shareholder, employee or independent contractor of Navasota or any person not dealing at arm's length within the meaning of the *Income Tax Act* (Canada) with any such person is indebted to Navasota;

(v) there is not, in the constating documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which Navasota is a party any restriction upon or impediment to, the declaration or payment of dividends by the directors of Navasota or the payment of dividends by Navasota to the holders of its securities;

(w) Navasota is not a party to any Debt Instrument or any agreement, contract or commitment to create, assume or issue any Debt Instrument;

(x) Navasota is not a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of Navasota to compete in any line of business, or to transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of Navasota or which would prohibit or restrict Navasota from entering into and completing the Business Combination;

(y) Navasota is not a party to any agreement nor is Navasota aware of any agreement, which in any manner affects the voting control of any of the securities of Navasota;

(z) Navasota is not aware of any pending or contemplated change to any applicable Law or governmental position that would materially affect the business of Navasota;

(aa) the corporate records and minute books of Navasota contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders since its date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed;

(bb) no representation, warranty or statement of Navasota or Subco1 in the Documents contains or will contain at the Effective Time any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which made, not misleading;

(cc) Navasota does not maintain any insurance; and

(dd) no Resulting Issuer Shares or Resulting Issuer Convertible Securities shall be delivered to any person in the United States or to any U.S. Person that is not a U.S. Accredited Investor and, if doing so would result in any contravention of the U.S. Securities Act or any applicable U.S. state securities laws, then may instead, in the case of Resulting Issuer Shares, appoint an agent to sell the Resulting Issuer Shares of such person on behalf of that person and deliver an amount of cash representing the proceeds of the sale of such Resulting Issuer Shares, net of expenses of sale, and, in the case of Resulting Issuer Convertible Securities, deliver an amount of cash representing the fair market value of the Resulting Issuer Convertible Securities issuable to such person.

4.3 Representations and Warranties of Subco1

Subco1 hereby represents and warrants to IMC, and acknowledges that IMC is relying upon these representations and warranties in connection with the entering into of this Agreement, as follows:

(a) Subco1 has been duly incorporated and is validly existing under the laws of the State of Israel and is current and up-to-date with all filings required to be made by it in such jurisdiction;

(b) Subco1 has full corporate power, capacity and authority to undertake all steps of the Business Combination contemplated in the Documents and to carry out its obligations under this Agreement;

(c) the authorized capital of Subco1 consists of 1,000 ordinary shares (each of NIS 1.00 par value), of which 100 ordinary shares are currently issued and outstanding and held by Navasota; except for such ordinary shares, Subco1 has no other securities outstanding nor is it a party to or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any ordinary shares of Subco1 or securities convertible into or exchangeable for ordinary shares of Subco1;

(d) each of the Documents has been, or at the Effective Time will be, duly authorized and, with respect to this Agreement, executed and delivered by Subco1 and constitutes a valid and binding obligation of Subco1 enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in applicable laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally) and no other corporate proceeding on the part of Subco1, other than the approval of Navasota, as sole shareholder of Subco1, is necessary to authorize this Agreement and the transactions contemplated hereby;

(e) the entering into and the performance by Subco1 of the transactions contemplated in the Documents:

(i) do not require any consent, approval, authorization or order of any court or governmental agency or body, except that which may be required under applicable corporate and securities legislation and the policies of the CSE;

(ii) will not contravene any statute or regulation of any Government Authority which is binding on Subco1 where such contravention would have a Material Adverse Effect; and

(iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents, by-laws or resolutions of Subco1 or any mortgage, note, indenture, contract or agreement, instrument, lease or other document to which Subco1 is or will be a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would have a Material Adverse Effect.

(f) Subco1 carries on no active business.

4.4 Survival

For greater certainty, the representations and warranties of each of the Parties contained herein shall survive the execution and delivery of this Agreement and shall terminate and be extinguished on the earlier of the termination of this Agreement in accordance with its terms and the Effective Time.

ARTICLE 5
COVENANTS

5.1 Conduct of Business by the Parties

Except as required by Law or is otherwise expressly permitted or specifically contemplated by this Agreement, each Party covenants and agrees that, during the period from the date of this Agreement until the earlier of either the Effective Time or the time that this Agreement is terminated by its terms, unless each of the other Parties shall otherwise agree in writing it shall, and shall cause its Subsidiaries to conduct business in, and not take any action except in, the usual and ordinary course of business, with the exception of reasonable costs incurred in connection with the Business Combination, and it shall and shall cause its Subsidiaries to use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships and it shall not, and shall cause its Subsidiaries to not, without the prior written consent of the other Parties, enter into any contract in respect of its business or assets, other than in the ordinary course of business, and without limitation but subject to the foregoing, shall maintain payables and other liabilities at levels consistent with past practice, shall not engage or commit to engage in any extraordinary material transactions and shall not make or commit to make distributions, dividends or special bonuses, without the prior written consent of the other Parties.

5.2 Representations and Warranties

(a) IMC covenants and agrees that from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in Section 4.1 being untrue in any material respect.

(b) Navasota covenants and agrees that, from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in Section 4.2 being untrue in any material respect.

(c) Subco1 covenants and agrees that, from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in Section 4.3 being untrue in any material respect.

5.3 Notice of Material Change

(a) From the date hereof until the termination of this Agreement, each Party shall promptly notify the other Party in writing of:

(i) any material change (actual, anticipated, contemplated or, to the knowledge of such Party or any of its Subsidiaries, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of such Party and its Subsidiaries, taken as whole;

(ii) any change in the facts relating to any representation or warranty set out in Sections 4.1, 4.2 or 4.3 hereof, as applicable, which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or

(iii) any material fact which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.

(b) Each of the Parties shall in good faith discuss with the other any change in circumstances (actual, anticipated, contemplated or, to its knowledge of its or any of its Subsidiaries, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other pursuant to this Section.

5.4 Non-Solicitation

(a) None of the Parties shall solicit any offers to purchase their respective shares or assets, or any portion above 5% thereof, and neither of Navasota nor IMC will, directly or indirectly, initiate, enter into or encourage any discussions or negotiations with any third party with respect to such a transaction or amalgamation, merger, take-over, plan of arrangement or similar transaction or a Going Public Transaction other than for this Business Combination during the period commencing on the date hereof and ending on the termination of this Agreement. The Parties shall immediately cease and cause to be terminated any existing discussions or negotiations with any third party related to any of the foregoing. In the event any of the Parties is approached in respect of any such transaction, it shall immediately notify the other.

(b) Notwithstanding this Section 5.4 and any other provision of this Agreement, any IMC Shareholder shall, for greater certainty, have the right to sell, transfer and assign its IMC Shares to any other IMC Shareholder or to any officer and/or director of IMC subject to any applicable Laws.

5.5 Negative Covenants

Each Party agrees that, from the date hereof until the earlier of the termination of this Agreement and the completion of this Business Combination, it shall not directly or indirectly do or permit to occur any of the following:

(a) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire shares other than:

(i) in the case of IMC:

(A) in connection with financing initiatives undertaken by IMC at a price that is not less than an issue price of $4.00 per offered security;

(B) the issuance of IMC Shares and/or warrants upon the exercise of any IMC Convertible Securities;

(C) the grant of up to 1,225,000 IMC Options and other similar issuances pursuant to the Plan to directors, officers, employees or consultants, provided that any IMC Option grants in excess of such 1,225,000 IMC Options must be exercisable at a price of not less than $4.00 per IMC Share on a pre-Merger basis; and

(D) in connection with *bona fide* acquisitions;

(ii) in the case of Navasota,

(A) in connection with the Financing; and

(B) the issuance of Navasota Shares upon the exercise of any Navasota Warrants;

(b) redeem, purchase or otherwise acquire any of its outstanding shares or other securities including, without limitation, under an issuer bid;

(c) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of itself or any of its Subsidiaries, except as contemplated in this Agreement;

(d) borrow any cash or incur any indebtedness, except as expressly contemplated by this Agreement or with the prior written consent of the other Parties and, in the case of IMC, IMC shall be permitted, without any prior consent of the other Parties, to: (A) incur trade payables in the ordinary course; and (B) borrow amounts not to exceed $200,000 in the aggregate. In the event IMC requires to borrow an amount in excess of $200,000 (in the aggregate), IMC shall obtain the prior written consent of the other Parties, which consent shall not be unreasonably withheld;

(e) make loans, advances or other similar payments to any third party except as expressly contemplated by this Agreement and, in the case of IMC, IMC shall be permitted to (A) make routine advances to IMC employees for expenses incurred in the ordinary course; or (B) as consented to by the other Parties, which consent shall not be unreasonably withheld;

(f) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any Person other than inter-corporate loans and advances;

(g) amend its Governing Documents or otherwise split, combine or reclassify any of its shares in any manner which may adversely affect the success of the Business Combination, except as required to give effect to the matters contemplated in this Agreement;

(h) enter into any transaction or material contract, except in the case of IMC: (A) in connection with the IMC Restructuring; (B) in the ordinary course of business; and (C) engage in any business enterprise or activity different from that carried on as of the date hereof, without the prior written consent of the other Parties, which consent shall not be unreasonably withheld; and

(i) in the case of Navasota and Subco1, make any expenditures except those that are reasonably necessary to carry out the terms of this Agreement.

5.6 Support of Business Combination

(a) Each Party covenants and agrees that it shall:

(i) use its reasonable commercial efforts to cause its shareholders to vote their respective shares in favour of the Business Combination and all of the matters contemplated thereunder, to take all reasonable actions to consummate the Business Combination and the transactions contemplated thereunder, subject only to the terms and conditions hereof and to not take any action contrary to or in opposition to the Business Combination, except as required by statutory law;

(ii) use all commercially reasonable efforts to obtain all appropriate Regulatory Approvals;

(iii) not, other than in connection with the Business Combination, reorganize, amalgamate or merge with any other person, nor acquire by amalgamating, merging or consolidating with, purchasing a majority of the voting securities or substantially all of the assets of or otherwise, any business or Person which acquisition or other transaction would reasonably be expected to prevent or materially delay the Business Combination contemplated hereby; and

(iv) co-operate fully with the other Parties and to use all reasonable commercial efforts to otherwise complete the Business Combination, unless such cooperation and efforts would subject such Party to liability or would be in breach of applicable Laws.

(b) IMC covenants and agrees that it shall to use its reasonable commercial efforts to cause each director and officer of IMC (subject to "**superior proposal**" carve outs), and each IMC Shareholder holding 10% or more of all issued and outstanding IMC Shares, to enter into a customary lock-up agreement in form and substance acceptable to Navasota (acting reasonably) pursuant to which such Person shall agree (i) to vote all IMC Shares held by such Person in favour of the Business Combination and the Merger; (ii) to comply with any escrow provisions imposed by the CSE and in accordance with Section 2.1(j); and (iii) not to sell, offer to sell, secure, transfer or otherwise dispose of any IMC Shares which such Person may hold until the earlier of (i) the completion of the Business Combination; and (ii) the termination of this Agreement.

(c) Navasota covenants and agrees that it shall to use its reasonable commercial efforts to cause each director and officer of Navasota (subject to "**superior proposal**" carve outs), and each Navasota Shareholder holding 10% or more of all issued and outstanding IMC Shares, to enter into a customary lock-up agreement in form and substance acceptable to Navasota (acting reasonably) pursuant to which such Person shall agree (i) to vote all Navasota Shares held by such Person in favour of the Business Combination and the Merger; (ii) to comply with any escrow provisions imposed by the CSE and in accordance with Section 2.1(j); and (iii) not to sell, offer to sell, secure, transfer or otherwise dispose of any Navasota Shares which such Person may hold until the earlier of (i) the completion of the Business Combination; and (ii) the termination of this Agreement.

5.7 Other Filings

The Parties shall, as promptly as practicable hereafter, prepare and file all filings required under any securities Laws, the rules of the CSE or any other applicable Laws relating to the Business Combination contemplated hereby.

5.8 Additional Agreements

Subject to the terms and conditions of this Agreement and subject to fiduciary obligations under applicable Laws, each of the Parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Business Combination contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts:

(a) to obtain all necessary waivers, consents and approvals from other Parties to material agreements, leases and other contracts or agreements;

(b) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the Business Combination contemplated hereby;

(c) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the Business Combination contemplated hereby;

(d) to effect all necessary registrations and other filings and submissions of information requested by the CSE;

(e) to effect all necessary registrations and other filings and submissions of information requested by Government Authorities; and

(f) to fulfill all conditions and satisfy all provisions of this Agreement.

For purposes of the foregoing, the obligation to use "**commercially reasonable efforts**" to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other Parties.

ARTICLE 6
CONDITIONS AND CLOSING MATTERS

6.1 Mutual Conditions Precedent

The respective obligations of the Parties hereto to complete each step of the Business Combination contemplated by this Agreement shall be subject to the satisfaction, on or before the Effective Date, of the following conditions precedent, each of which may be waived only by the mutual consent of the Parties:

(a) the Financing shall have been completed on terms and conditions acceptable to IMC, acting reasonably;

(b) all requisite shareholder approvals of each of IMC, Navasota and Subco1 shall have been obtained;

(c) IMC and applicable IMC Holders will have received an interim tax-ruling from the ITA, which is satisfactory in form and substance to Navasota, according to which the Merger shall be confirmed as a merger by way of share exchange in accordance with either the provisions of: (i) Section 103t of the Tax Ordinance, or, in the event that the 103t ruling is not practical, (ii) a ruling issued in accordance with Section 104h of the Tax Ordinance (such ruling issued, the "**Ruling**"). For the avoidance of doubt, in the event that a permanent Ruling is not provided within 180 days as of the Effective Date or as otherwise determined by the ITA, the Israeli Trustee shall be entitled to withhold taxes in accordance with the provisions of this Agreement. For the avoidance of doubt, the withholding shall be effected with regards to each IMC Holder to whom such withholding is due, by the sale of the applicable portion of Resulting Issuer Shares held for the benefit of such IMC Holder by the Israeli Trustee, in order to raise sufficient funds for the Israeli Trustee to pay the withholding tax to the ITA, as required under the Tax Ordinance, all unless such IMC Holder pays the Israeli Trustee an amount sufficient for the Israeli Trustee to pay the respective withholding tax due (the "**Withholding Payment Alternative**"). For the avoidance of doubt, in the event that the Israeli Trustee is unable to sell the required amount of Resulting Issuer Shares in order to raise sufficient funds to pay withholding taxes concerning a given IMC Holder, for any reason whatsoever, such IMC Holder will be deemed to automatically choose the Withholding Payment Alternative, all subject to the trust agreement to be entered into with the Israeli Trustee. All IMC Shares and IMC Convertible Securities and/or, to the extent the Ruling shall require, any Resulting Issuer Shares and Resulting Issuer Convertible Securities attributable to IMC Holders which are part of the applicable Ruling, shall be subject to the terms and conditions specified under such Ruling. IMC will provide Navasota counsel the language of the Ruling, prior to their submission, for its review and comments and inform Navasota of progress made with respect to meetings and discussions with the ITA with respect to the Ruling. Furthermore, Navasota shall have the right to review and comment on the language of the Rulings and IMC shall adequately address such comments and revise the language if deemed necessary and IMC may allow, if deemed necessary by IMC, Navasota's counsel to attend in meetings and participate in such discussions with the ITA. The counsel of IMC shall provide Navasota's counsel with an update of meetings and discussions held with the ITA with respect to the Ruling, within reasonable time and to the extent deemed necessary by IMC's counsel;

(d) All IMC Shareholders who are not Israeli residents shall have received a Withholding Certificate and shall have presented it to the Israeli Trustee;

(e) IMC and Subco1 shall have executed and delivered the Merger Proposal to the Israeli Registrar of Companies and a Certificate of Merger shall have been issued by the Israeli Registrar of Companies in respect of the Merger;

(f) Finco and Subco2 shall have executed and delivered the Amalgamation Application to the British Columbia Registrar of Companies and a Certificate of Amalgamation shall have been issued by the British Columbia Registrar of Companies in respect of the Amalgamation;

(g) the Resulting Issuer, upon completion of the Business Combination, shall meet the original listing requirements of the CSE;

(h) there shall have been no action taken under any applicable Law or by any Governmental Authority and there shall not be in force any order or decree restraining or enjoining the consummation of the Business Combination;

(i) all corporate and Regulatory Approvals shall have been obtained including, without limitation, approval of the Israeli Registrar of Companies for the Merger;

(j) each Party shall not have entered into any transaction or contract which would have a Material Adverse Effect on the financial and operational condition, or the assets of such Party, excluding those transactions or contracts undertaken in the ordinary course of business, without first discussing and obtaining the approval of the other Party; and

(k) this Agreement shall not have been terminated pursuant to Article 7.

If any of the above conditions shall not have been complied with or waived by the Parties on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then a Party may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by the Party terminating the Agreement. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by a Party of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, such defaulting Party shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own non-compliance with its obligations under this Agreement.

6.2 Additional Conditions Precedent to the Obligations of IMC

The obligations of IMC to complete the Business Combination contemplated by this Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of IMC and may be waived by IMC and any one or more of which, if not satisfied or waived, will relieve IMC of any obligation under this Agreement):

(a) on or prior to the Effective Date, and effective upon completion of the Merger, each of the directors and officers of Navasota shall have tendered their resignations and provided releases in a form acceptable to IMC and the board of directors of Navasota, subject to the approval of the CSE, shall have been reconstituted, and the officers shall have been appointed, as set forth in Section 2.1(i);

(b) no Material Adverse Effect with respect to Navasota shall have occurred between the date hereof and the Effective Date;

(c) Navasota shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under this Agreement, and all representations and warranties of Navasota contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall not have ceased to be true and correct in any material respect thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had five (5) Business Days to cure such misrepresentation, breach or non-performance), and the CFO of Navasota or another officer satisfactory to IMC shall so certify immediately prior to the Effective Date;

(d) the board of directors and shareholders of Navasota, and the board of directors and sole shareholder of Subco1, Subco2 and Finco, as applicable, shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by Navasota to permit the consummation of the Business Combination and the transactions contemplated therewith;

(e) Navasota shall have completed the Consolidation to the satisfaction of IMC, acting reasonably; and

(f) IMC shall have received from counsel to Navasota favourable legal opinions concerning such matters with respect to the Business Combination as are customary in similar transactions and as IMC and its counsel may reasonably request.

If any of the above conditions shall not have been complied with or waived by IMC on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to the cure provision provided for in Section 6.2(c), IMC may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by IMC. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by IMC of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, IMC shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under this Agreement.

6.3 Additional Conditions Precedent to the Obligations of Navasota

The obligations of Navasota to complete each step of the Business Combination contemplated by this Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of Navasota and may be waived by Navasota and any one or more of which, if not satisfied or waived, will relieve Navasota of any obligation under this Agreement):

(a) IMC shall have prepared the IMC Financial Statements;

(b) no Material Adverse Effect with respect to IMC or the IMC Subsidiaries taken as a whole shall have occurred between the date hereof and the Effective Date;

(c) IMC shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under this Agreement, and all representations and warranties of IMC contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall not have ceased to be true and correct in any material respect thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had five (5) Business Days to cure such misrepresentation, breach or nonperformance), and the CEO of IMC or another officer satisfactory to Navasota shall so certify immediately prior to the Effective Date;

(d) the board of directors of IMC and the IMC Shareholders shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by IMC to permit the consummation of the Business Combination and the transactions contemplated therewith;

(e) Navasota shall have received from counsel to IMC favourable legal opinions concerning such matters with respect to the Merger and Business Combination as are customary in similar transactions and as Navasota and its counsel may reasonably request, including with respect to the corporate existence and ownership of the IMC Subsidiaries.

If any of the above conditions shall not have been complied with or waived by Navasota on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to the cure provision provided for in Section 6.3(c), Navasota may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Navasota or Subco1. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by Navasota or Subco1 of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, neither Navasota nor Subco1 shall rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under this Agreement.

6.4 Closing Matters

The completion of the transactions contemplated under this Agreement shall be effected via electronic exchange or at the offices of IMC's counsel, Gowling WLG (Canada) LLP, at 10:00 a.m. (Toronto time) on the Effective Date.

ARTICLE 7
TERMINATION AND AMENDMENT

7.1 Termination

This Agreement may be terminated by written notice promptly given to the other Party hereto, at any time prior to the Effective Date:

(a) by mutual agreement in writing by the Parties; or

(b) as set forth in Sections 6.1, 6.2 and 6.3 of this Agreement.

7.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 7.1 hereof, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of Navasota or IMC hereunder except as set forth in Section 7.3 hereof and this Section 7.2, which provisions shall survive the termination of this Agreement. Nothing herein shall relieve any Party from liability for any breach of this Agreement.

7.3 Expenses and Break Fees

(a) Subject to Section 7.3(b) and Section 7.3(c) below, each Party shall pay its own costs and expenses (including all legal, accounting and financial advisory fees and expenses) incurred in connection with the completion of the Business Combination, including without limitation, expenses related to the preparation, execution and delivery of all agreements including, without limitation, this Agreement and other documents referenced herein, (and for greater certainty), IMC shall be responsible for paying all costs and fees payable to the CSE in connection with its review of the Business Combination, all listing fees incurred or to be incurred in connection with the completion of the Business Combination and all costs and fees associated with the preparation and filing of the Listing Statement or information circular, as may be required by the CSE.

(b) In the event that a sponsor is required to be retained in connection with the Business Combination pursuant to the regulations of the CSE, the costs and fees associated with engaging a sponsor shall be borne by IMC.

(c) Whether or not the transactions contemplated herein are completed, all reasonable costs incurred by Navasota and all fees and disbursements of Navasota's Canadian and Israeli counsel will be borne by IMC, provided that such costs, fees and disbursements must have been incurred on or following October 12, 2018.

(d) In the event that this Agreement is terminated by IMC pursuant to a breach by Navasota of any of its obligations under Section 5.4 and Section 5.5, Navasota shall forthwith pay to IMC the sum of $250,000 as a penalty, which amount shall be paid in cash in full and final satisfaction of any liability which Navasota and/or any of its directors and officers may have in respect thereof.

(e) In the event that this Agreement is terminated by Navasota pursuant to a breach by IMC of any of its obligations under Section 5.4 and Section 5.5, IMC shall forthwith pay to Navasota the sum of $250,000 as a penalty, which amount shall be paid in cash in full and final satisfaction of any liability which IMC and/or any of its directors and officers may have in respect thereof.

7.4 Amendment

This Agreement may, at any time on or before the Effective Date be amended by mutual agreement between the Parties hereto. This Agreement may not be amended except by an instrument in writing signed by the appropriate officers on behalf of each of the Parties hereto.

7.5 Waiver

A Party may (i) extend the time for the performance of any of the obligations or other acts of the other Party, (ii) waive compliance with any of the other Party's agreements or the fulfillment of any of its conditions contained herein or (iii) waive inaccuracies in another Party's representations or warranties contained herein or in any document delivered by the other Party hereto; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party.

ARTICLE 8
GENERAL

8.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by e-mail or sent by prepaid overnight courier to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

<u>if to IMC</u>:

I.M.C. Holdings Ltd.
Kibbutz, Glil Yam
State of Israel

Attention: Oren Shuster
E-mail: [redacted]

<u>with a copy to</u>:

Gowling WLG (Canada) LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario M5X 1G5

Attention: Peter Simeon
Facsimile: (416) 862-4448
E-mail: [redacted]

if to Navasota:

Navasota Resources Inc.
120 Adelaide Street West, Unit 2015
Toronto, Ontario M5H 1T1

Attention: Steven Mintz
E-mail: [redacted]

with a copy to:

Garfinkle Biderman LLP
Dynamic Funds Tower, Suite 801
Toronto, Ontario M5C 2V9

Attention: Grant Duthie
E-mail: [redacted]

if to Subco1:

Navasota Acquisition Ltd.
Aluf Kalman Magen 3, 3rd Floor
Tel Aviv, ISRAEL 6107075

Attention: Ryan Walsh, Director
E-mail: [redacted]

with a copy to:

Yigal Arnon & Co., c/o Adv. Moshe Medved
5 Azrieli Center, Square Tower, 40th Floor
Tel Aviv, ISRAEL 67021

Attention: Moshe Medved, Adv.
E-mail: [redacted]

8.2 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the Parties hereto without the prior written consent of the other Party which shall not be unreasonably withheld.

8.3 Complete Agreement

This Agreement sets forth the entire understanding between the Parties hereto and supersedes all prior agreements, arrangements and communications, whether oral or written, with respect to the subject matter hereof, including but not limited to, the Letter of Intent between IMC and Navasota. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the Parties hereto with respect to the subject matter hereof.

8.4 Further Assurances

Each Party hereto shall, from time to time, and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

8.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.6 Counterpart Execution

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

8.7 Investigation by Parties

No investigations made by or on behalf of either Party or any of their respective authorized agents at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by the other Party in or pursuant to this Agreement.

8.8 Public Announcement; Disclosure and Confidentiality

(a) Unless and until the transactions contemplated in this Agreement will have been completed, none of the Parties shall make any public announcement concerning this Agreement or the matters contemplated herein, their discussions or any other memoranda, letters or agreements between them relating to the matters contemplated herein without the prior consent of the other Parties, which consent shall not be unreasonably withheld, provided that no party shall be prevented from making any disclosure which is required to be made by law or any rules of a stock exchange or similar organization to which it is bound.

(b) All information provided to or received by the parties hereunder shall be treated as confidential ("**Confidential Information**"). Subject to the provisions of this Section, no Confidential Information shall be published by any party hereto without the prior written consent of the others, but such consent in respect of the reporting of factual data shall not be unreasonably withheld. The consent required by this Section shall not apply to a disclosure to: (a) comply with any applicable laws, stock exchange rules or a regulatory authority having jurisdiction; (b) a director, officer or employee of a party; (c) an Affiliate of a party; (d) a consultant, contractor or subcontractor of a party that has a bona fide need to be informed; or (e) any third party to whom the disclosing party may assign any of its rights under this Agreement; provided, however, that in the case of subsection (e) the third party or parties, as the case may be, agree to maintain in confidence any of the Confidential Information so disclosed to them.

(c) The obligations of confidence and prohibitions against use of Confidential Information under this Agreement shall not apply to information that the disclosing party can show by reasonable documentary evidence or otherwise: (a) as of the date of this Agreement, was in the public domain; (b) after the date of this Agreement, was published or otherwise became part of the public domain through no fault of the disclosing party or an Affiliate thereof (but only after, and only to the extent that, it is published or otherwise becomes part of the public domain); or (c) was information that the disclosing party or its Affiliates were required to disclose pursuant to the order of any Government Authority or judicial authority.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

I.M.C. HOLDINGS LTD.

Per: "*Oren Shuster*"
Oren Shuster
Chief Executive Officer

NAVASOTA RESOURCES INC.

Per: "*Navjit Dhaliwal*"
Navjit Dhaliwal
Director

NAVASOTA ACQUISITION LTD.

Per: "*Ryan Walsh*"
Ryan Walsh
Director

SCHEDULE A
AMALGAMATION AGREEMENT

(See attached)

AMALGAMATION AGREEMENT

THIS AGREEMENT is dated as of the **[●]** day of **[●]**, 2019,

BY AND AMONG:

IM CANNABIS (FINANCE) LTD., a company continued under the laws of the Province of British Columbia

(hereinafter referred to as "**Finco**")

OF THE FIRST PART;

- and -

1215324 B.C. Ltd., a company existing under the laws of the Province of British Columbia

(hereinafter referred to as "**Subco2**")

OF THE SECOND PART;

- and -

NAVASOTA RESOURCES INC., a corporation existing under the laws of the Province of British Columbia

(hereinafter referred to as "**Navasota**")

OF THE THIRD PART.

WHEREAS Finco and Subco2 wish to amalgamate pursuant to the Act and to continue as one company to be known as **[IMC Canada Corp.]** in accordance with the terms and conditions hereof;

AND WHEREAS Subco2 is a wholly-owned subsidiary of Navasota and has not carried on any active business;

AND WHEREAS Navasota is a party to the Business Combination Agreement which contemplates such amalgamation;

AND WHEREAS the parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the proposed amalgamation;

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the mutual covenants and agreements herein contained and other lawful and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Definitions. In this Agreement (including the recitals hereto):

(a) "**Act**" means the *Business Corporations Act* (British Columbia) as from time to time amended or re-enacted;

(b) "**Agreement**" means this amalgamation agreement;

(c) "**Amalco**" means the company formed upon the amalgamation of the Amalgamating Parties pursuant to the Amalgamation;

(d) "**Amalco Shares**" means the common shares in the capital of Amalco;

(e) "**Amalgamating Parties**" means, collectively, Finco and Subco2;

(f) "**Amalgamation**" means the amalgamation of the Amalgamating Parties under the Act on the terms and conditions set forth in this Agreement;

(g) "**Amalgamation Application**" means the amalgamation application in respect of the Amalgamation required by section 275(1)(a) of the Act to be filed with the Registrar in the form attached hereto as Schedule A, together with any changes to that application as permitted under this Agreement or as agreed to by the Amalgamating Parties;

(h) "**Articles**" means the articles of Amalco in the form attached hereto as Schedule B and signed by a director of Amalco;

(i) "**Business Combination**" means the business combination between Navasota, Finco and Subco2 wherein Navasota will acquire all of the issued and outstanding shares of Finco by way of the Amalgamation;

(j) "**Business Combination Agreement**" means the amended and restated business combination agreement dated September 3, 2019 among Navasota, Navasota Acquisition Ltd. and I.M.C. Holdings Ltd. governing the terms and conditions of the Business Combination, as amended from time to time;

(k) "**Business Combination Date**" means the date the Business Combination is completed, as evidenced by the issuance of the Certificate of Amalgamation giving effect to the Amalgamation;

(l) "**Business Day**" means a day other than a Saturday, Sunday or a civic or statutory holiday in the City of Vancouver, British Columbia;

(m) "**Certificate of Amalgamation**" means the certificate of amalgamation to be issued by the Registrar;

(n) "**Effective Time**" means 12:01 a.m. (Vancouver time) on the Business Combination Date;

(o) "**Exchange Ratio**" means a one-to-one basis, wherein each one (1) Finco Share shall be exchanged for one (1) fully paid and non-assessable Navasota Share, and one (1) Finco Warrant shall be exchanged for one (1) Navasota Warrant, in each case in accordance with the terms of the Agreement;

(p) "**Finco Compensation Options**" means compensation options of Finco issued to certain agents in connection with the Finco Financing;

(q) "**Finco Financing**" means the private placement of Finco subscription receipts for aggregate gross proceeds of approximately $[20,000,000];

(r) "**Finco Shareholders**" means the holders of Finco Shares prior to the filing of the Amalgamation Application;

(s) "**Finco Shares**" means common shares in the capital of Finco;

(t) "**Finco Warrants**" means common share purchase warrants of Finco issued in connection with the Finco Financing;

(u) "**Navasota Compensation Options**" means compensation options of Navasota;

(v) "**Navasota Shareholder**" means a registered holder owning Navasota Shares prior to the filing of the Amalgamation Application;

(w) "**Navasota Shares**" means the common shares in the capital of Navasota;

(x) "**Navasota Warrants**" means common share purchase warrants of Navasota;

(y) "**Notice of Articles**" means the notice of articles to be issued by the Registrar in respect of Amalco in the form contained in the Amalgamation Application;

(z) "**Paid-up Capital**" has the meaning assigned to the term "paid-up capital" in subsection 89(1) of the *Income Tax Act* (Canada));

(aa) "**Registrar**" means the Registrar of Companies appointed under the Act; and

(bb) "**Subco2 Shares**" means the common shares in the capital of Subco2.

2. Amalgamation. Upon the conditions set out in this Agreement being satisfied or waived in accordance with the provisions of this Agreement and the Business Combination Agreement, including the adoption and approval by the shareholders of the Amalgamating Parties of this Agreement, the Amalgamating Parties hereby agree to:

(a) amalgamate and continue as one company under the provisions of the Act upon the terms and conditions hereinafter set out; and

(b) execute and file with the Registrar the Amalgamation Application.

3. Certain Phrases, etc. In this Agreement (i) the words "including", "includes" and "include" mean "including (or includes or include) without limitation", and (ii) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". In the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

4. **Effect of the Amalgamation.** At the Effective Time, subject to the Act:

(a) the amalgamation of the Amalgamating Parties and their continuance as one company, Amalco, under the terms and conditions prescribed in this Agreement shall be effective and irrevocable;

(b) the property, rights and interests of each of the Amalgamating Parties shall continue to be the property, rights and interests of Amalco;

(c) Amalco shall become capable immediately of exercising the functions of an incorporated company;

(d) the shareholders of Amalco have the powers and the liability provided in the Act;

(e) each shareholder of the Amalgamated Parties is bound by this Agreement;

(f) Amalco will be a wholly-owned Subsidiary of Navasota;

(g) Amalco shall continue to be liable for the liabilities and obligations of each of the Amalgamating Parties;

(h) any existing cause of action, claim or liability to prosecution with respect to either or both of the Amalgamating Parties shall be unaffected;

(i) any legal proceeding being prosecuted or pending by or against any of the Amalgamating Parties may be continued to be prosecuted, or its prosecution may be continued, as the case may be, by or against Amalco; and

(j) any conviction against, or ruling, order or judgment in favour of or against, any of the Amalgamating Parties may be enforced by or against Amalco.

5. **Name.** The name of Amalco shall be **[IMC Canada Corp.].**

6. **Registered Office.** The mailing and delivery address of the registered office of Amalco shall be located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5.

7. **Records Office. T**he mailing and delivery address of the records office of Amalco shall be located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5.

8. **Authorized Share Structure.** The authorized share structure of Amalco shall consist of an unlimited number of Amalco Shares, which shares shall have the rights, privileges, restrictions and conditions as set out in the Act.

9. **Restrictions on Business.** There shall be no restrictions on the business which Amalco is authorized to carry on.

10. **Number of Directors.** The minimum number of directors of Amalco, until changed in accordance with the Articles, will be two (2).

11. **Articles and Notice of Articles.** The Notice of Articles shall be in the form of the notice of articles forming part of the Amalgamation Application and the articles of Subco2 shall, so far as applicable, be the Articles of Amalco until repealed or amended in the normal manner provided for in the Act.

12. **Directors.** The directors of Amalco shall be the Persons whose names and addresses are set out below, who shall hold office until the first annual meeting of shareholders of Amalco or until their successors are duly elected or appointed:

Name	**Prescribed Address (mailing and delivery)**

13. **First Officers.** The full names and offices of the first officers of Amalco are:

Name of Officer	**Office**

14. **Treatment of Issued Shares and Warrants.** At the Effective Time:

(a) Finco Shares shall be exchanged for fully paid and non-assessable Navasota Shares (the "**Replacement Shares**") on the basis of the Exchange Ratio;

(b) Finco Shares replaced in accordance with the provisions of Section 14(a) hereof will be cancelled;

(c) Finco Warrants will be exchanged for Navasota Warrants (the "**Replacement Warrants**") on the basis of the Exchange Ratio and the Finco Warrants will be cancelled;

(d) Finco Compensation Options will be exchanged for Navasota Compensation Options (the "**Replacement Compensation Options**") on the basis of the Exchange Ratio and the Finco Compensation Options will be cancelled;

(e) each issued and outstanding Subco2 Share will be cancelled and replaced by one (1) fully paid and non-assessable Amalco Share for each Subco2 Share held by Navasota;

(f) as consideration for the issuance of Navasota Shares in exchange for the Finco Shares, Amalco shall issue to Navasota one (1) Amalco Share for each Navasota Share so issued.

15. **No Fractional Shares or Securities upon Conversion.** Notwithstanding Section 13 of this Agreement, no Finco Shareholder shall be entitled to, and Navasota will not issue, fractions of Navasota Shares and no cash amount will be payable by Navasota in lieu thereof. To the extent any Finco Shareholder is entitled to receive a fractional Navasota Share such fraction shall be rounded down to the closest whole number of the applicable security.

16. **Share Certificates.** On the Business Combination Date:

(a) the registered holders of Finco Shares, Finco Warrants and Finco Compensation Options shall be deemed to be the registered holders of Replacement Shares, Replacement Warrants and Replacement Compensation Options respectively, to which they are entitled hereunder.

(b) Navasota, as the registered holder of the Subco2 Shares, shall be deemed to be the registered holder of the Amalco Shares to which it is entitled hereunder and, upon surrender of the certificates representing such Subco2 Shares to Amalco, Navasota shall be entitled to receive a share certificate representing the number of Amalco Shares to which it is entitled as set forth in Section 13 hereof; and

(c) share certificates evidencing Finco Shares shall cease to represent any claim upon or interest in Finco other than the right of the holder to receive, pursuant to the terms hereof and the Amalgamation, the applicable Replacement Shares in accordance with Section 13 hereof.

17. **Lost Certificates.** In the event any certificate which subsequent to the Effective Time represented one or more outstanding Finco Shares, Finco Warrants or Finco Compensation Options that were exchanged pursuant to Section 13 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder of such Finco Share, Finco Warrant or Finco Compensation Option, as the case may be, claiming such certificate to be lost, stolen or destroyed, Navasota will issue in exchange for such lost, stolen or destroyed certificate, one or more certificates representing the applicable Replacement Share, Replacement Warrant or Replacement Compensation Option pursuant to Section 13. The holder to whom certificates representing Replacement Shares, Replacement Warrants or Replacement Compensation Options are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Navasota in such sum as Navasota may direct or otherwise indemnify Navasota in a manner satisfactory to Navasota against any claim that may be made against Navasota with respect to the certificate alleged to have been lost, stolen or destroyed.

18. **Amalco Shares and Shareholders.** Upon the Amalgamation becoming effective, the exchange of shares under Section 13 will result in [●] Amalco Shares being issued and outstanding as fully paid and non-assessable common shares in Amalco, all of which will be held by Navasota.

19. **Amalco Paid-Up Capital.** The amount to be added to the paid-up capital account maintained in respect of the Amalco Shares in connection with the issue of Amalco Shares under Section 13 hereof on the Business Combination Date shall be the amount which is the sum of (i) the Paid-up Capital, determined immediately before the Effective Time, of all the issued and outstanding Finco Shares and (ii) the Paid-up Capital, determined immediately before the Effective Time, of the issued and outstanding Subco2 Shares converted into Amalco Shares.

20. **Navasota Stated Capital.** Navasota shall add an amount to the stated capital account maintained in respect of the Navasota Shares an amount equal to the Paid-Up Capital of the Finco Shares, determined immediately prior to the Effective Time.

21. **Filings with the Registrar.** The Amalgamating Parties will, on or prior to the Business Combination Date, cause the Amalgamation Application and any other documents that may be required to give effect to the Amalgamation to be filed with the Registrar.

22. **Covenants of Finco.** Finco covenants and agrees with Subco2 and Navasota that it will:

(a) use reasonable commercial efforts to obtain the approval of the holders of Finco Shares authorizing the Amalgamation, this Agreement and the transactions contemplated hereby in accordance with the Act;

(b) use reasonable efforts to cause each of the conditions precedent set forth in Sections 29 and 30 hereof to be complied with; and

(c) subject to the approval of the shareholders of Finco and Subco2 being obtained for the completion of the Amalgamation and subject to all applicable regulatory approvals being obtained, thereafter jointly file with Subco2 the Amalgamation Application with the Registrar and such other documents as may be required to give effect to the Amalgamation upon and subject to the terms and conditions of this Agreement.

23. **Covenants of Navasota.** Navasota covenants and agrees with Finco that it will:

(a) sign a resolution as sole shareholder of Subco2 in favour of the approval of the Amalgamation, this Agreement and the transactions contemplated hereby in accordance with the Act;

(b) use reasonable efforts to cause each of the conditions precedent set forth in Sections 29 and 31 hereof to be complied with; and

(c) subject to the approval of the holders of Finco Shares being obtained for the completion of the Amalgamation, and the obtaining of all applicable regulatory approvals and the issuance of the Certificate of Amalgamation, issue that number of Replacement Shares, Replacement Warrants and Replacement Compensation Options as required by Section 14(a), 14(c) and 14(d) respectively, hereof.

24. **Covenants of Subco2.** Subco2 covenants and agrees with Navasota and Finco that it will not from the date of execution hereof to the Business Combination Date, except with the prior written **consent of Navasota and Finco, conduct any business which would prevent Subco2 or Amalco from performing any of their respective obligations hereunder.**

25. **Further Covenants of Subco2.** Subco2 further covenants and agrees with Finco that it will:

(a) use its best efforts to cause each of the conditions precedent set forth in Section 29 hereof to be complied with; and

(b) subject to the approval of the holders of Finco Shares and the sole shareholder of Subco2 being obtained and subject to the obtaining of all applicable regulatory approvals, thereafter jointly file with Finco the Amalgamation Application with the Registrar and such other documents as may be required to give effect to the Amalgamation upon and subject to the terms and conditions of this Agreement.

26. Representation and Warranty of Navasota. Navasota hereby represents and warrants to and in favour of Finco and Subco2 and acknowledges that Finco and Subco2 are relying upon such representation and warranty, that Navasota is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement, enforceable against Navasota in accordance with its terms.

27. Representation and Warranty of Finco. Finco hereby represents and warrants to and in favour of Navasota and Subco2, and acknowledges that Navasota and Subco2 are relying upon such representation and warranty, that Finco is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement, enforceable against Finco in accordance with its terms.

28. Representation and Warranty of Subco2. Subco2 hereby represents and warrants to and in favour of Finco and Navasota, and acknowledges that Finco and Navasota are relying upon such representations and warranty, that Subco2 is duly authorized to execute and deliver this Agreement and this Agreement is a valid and binding agreement, enforceable against Subco2 in accordance with its terms.

29. General Conditions Precedent. The respective obligations of the parties hereto to consummate the transactions contemplated hereby, and in particular the Amalgamation, are subject to the satisfaction, on or before the Business Combination Date, of the following conditions, any of which may be waived by the consent of each of the parties without prejudice to their rights to rely on any other or others of such conditions:

(a) this Agreement and the transactions contemplated hereby, including, in particular, the Amalgamation, shall be approved by the sole shareholder of Subco2 and by the Finco Shareholders in accordance with the Act;

(b) all the conditions required to close the Business Combination set out herein and in the Business Combination Agreement being met or waived; and

(c) there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by this Agreement, including, without limitation, the Amalgamation.

30. Conditions to Obligations of Navasota and Subco2. The obligations of Navasota and Subco2 to consummate the transactions contemplated hereby and in particular the issue of the Replacement Shares, Replacement Warrants, Replacement Compensation Options and the Amalgamation, as the case may be, are subject to the satisfaction, on or before the Business Combination Date, of the conditions for the benefit of Navasota set forth in the Business Combination Agreement governing the terms and conditions of the Business Combination and of the following conditions:

(a) the acts of Finco to be performed on or before the Business Combination Date pursuant to the terms of this Agreement shall have been duly performed by it and there shall have been no material adverse change in the financial condition or business of Finco, taken as a whole, from and after the date hereof; and

(b) Navasota and Subco2 shall have received a certificate from a senior officer of Finco confirming that the conditions set forth in Section 30((a) hereof have been satisfied.

The conditions described above are for the exclusive benefit of Navasota and Subco2 and may be asserted by Navasota and Subco2 regardless of the circumstances or may be waived by Navasota and Subco2 in their sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Navasota and Subco2 may have.

31. Conditions to Obligations of Finco. The obligations of Finco to consummate the transactions contemplated hereby and in particular the Amalgamation are subject to the satisfaction, on or before the Business Combination Date, of the conditions for the benefit of Finco set forth in the Business Combination Agreement governing the terms and conditions of the Business Combination and of the following conditions:

(a) each of the acts of Navasota and Subco2 to be performed on or before the Business Combination Date pursuant to the terms of this Agreement shall have been duly performed by them and there shall have been no material adverse change in the financial condition or business of Navasota or Subco2, taken as a whole, from and after the date hereof; and

(b) Finco shall have received a certificate from a senior officer of Navasota and Subco2 confirming that the conditions set forth in Section 31((a) hereof have been satisfied.

The conditions described above are for the exclusive benefit of Finco and may be asserted by Finco regardless of the circumstances or may be waived by Finco in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Finco may have.

32. Amendment and Waiver. This Agreement may at any time and from time to time be amended by written agreement of the parties hereto without, subject to applicable law, further notice to or authorization on the part of their respective shareholders and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the parties hereto;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants contained herein and waive or modify performance of any of the obligations of the parties hereto; or

(d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment shall change the provisions hereof regarding the consideration to be received by Finco Shareholders in exchange for their Finco Shares without approval by the Finco Shareholders given in the same manner as required for the approval of the Amalgamation.

33. **Termination.** This Agreement may, prior to the issuance of the Certificate of Amalgamation, be terminated by mutual agreement of the respective boards of directors of the parties hereto, without further action on the part of the shareholders of Finco or Subco2. This Agreement shall also terminate without further notice or agreement if:

(a) the Amalgamation is not approved by the Finco Shareholders entitled to vote in accordance with the Act; or

(b) the Business Combination Agreement is terminated.

34. **Binding Effect.** This Agreement shall be binding upon and enure to the benefit of the parties hereto and their successors and permitted assigns.

35. **Assignment.** No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of each of the other parties.

36. **Further Assurances.** The parties hereto agree to execute and deliver such further instruments and to do such further reasonable acts and things as may be necessary or appropriate to carry out the intent of this Agreement.

37. **Notice.** Any notice which a party may desire to give or serve upon another party shall be in writing and may be delivered, mailed by prepaid registered mail, return receipt requested or sent by telecopy transmission.

38. **Time of Essence.** Time shall be of the essence of this Agreement.

39. **Governing Law.** This Agreement shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable therein.

40. **Counterparts.** This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and those counterparts will together constitute one and the same instrument.

41. **Electronic Delivery.** Delivery of this Agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

NAVASOTA RESOURCES INC.

Per: ______________________________

Name:
Title:

IM CANNABIS (FINANCE) LTD.

Per: ______________________________

Name:
Title:

1215324 B.C. LTD.

Per: ______________________________

Name:
Title:

SCHEDULE A

AMALGAMATION APPLICATION

SCHEDULE B

ARTICLES OF AMALCO

APPENDIX B

FINANCIAL STATEMENTS OF THE COMPANY

NAVASOTA RESOURCES INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JULY 31, 2019

Table of Contents

NAVASOTA RESOURCES INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT,

(Expressed in Canadian dollars)

	July 31, 2019	April 30, 2019
	$	**$**
ASSETS		
Current		
Cash	41,111	37,002
	41,111	37,002
Non-current		
Exploration and evaluation assets (Note 5)	1	1
	1	1
Total Assets	41,112	37,003
LIABILITIES		
CURRENT		
Due to related parties (Note 7)	743	743
Accounts payable and accrued expenses (Note 6)	255,456	250,907
Total Liabilities	256,199	251,650
Deficit		
Share capital (Note 8)	26,613,483	26,613,483
Contributed surplus (Note 8)	79,230	79,230
Share-based payments reserves (Note 8)	2,138,409	2,138,409
Deficit accumulated	(29,046,209)	(29,045,769)
Total deficit attributable to the shareholders of parent	(215,087)	(214,647)
Total Liabilities and Deficit	41,112	37,003

The accompanying notes are an integral part of these interim consolidated financial statements.

NAVASOTA RESOURCES INC.

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED JULY 31, 2019 AND 2018

(Expressed in Canadian dollars)

		2019		2018
EXPENSES				
Filing fees	$	422	$	6,397
Professional fees		-		24,725
Management fees (Note 7)		-		29,798
General and administration		-		21
Bank charges		18		44
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$	(440)	$	(60,985)
Net loss and comprehensive loss attributable to:				
Shareholders of the parent	$	(440)	$	(60,985)
Basic and diluted loss per share	$	(0.00)	$	(0.01)
Weighted average number of common shares		9,778,686		6,301,415

The accompanying notes are an integral part of these interim consolidated financial statements.

NAVASOTA RESOURCES INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE THREE MONTHS ENDED JULY 31, 2019 AND 2018

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payments Reserves	Contributed Surplus	Deficit Accumulated	Total Deficit Attributable to the Shareholders of Parent	Non-Controlling Interests	Total Deficit
		$	$	$	$	$	$	$
Balance at May 1, 2019	**9,778,686**	**26,613,483**	**2,138,409**	**79,230**	**(29,045,769)**	**(214,647)**	**-**	**(214,647)**
Total comprehensive loss	-	-	-	-	(440)	(440)	-	(440)
Balance at July 31, 2019	**9,778,686**	**26,613,483**	**2,138,409**	**79,230**	**(29,046,209)**	**(215,087)**	**-**	**(215,087)**
Balance at May 1, 2018	**4,066,026**	**26,327,850**	**2,138,409**	**-**	**(17,114,482)**	**11,351,777**	**(11,808,619)**	**(456,842)**
Debt settled for share capital	5,712,660	285,633				285,633		285,633
Total comprehensive loss	-	-	-	-	(60,985)	(60,985)	-	(60,985)
Balance at July 31, 2018	**9,778,686**	**26,613,483**	**2,138,409**	**-**	**(17,175,467)**	**11,576,425**	**(11,808,619)**	**(232,194)**

The accompanying notes are an integral part of these interim consolidated financial statements.

NAVASOTA RESOURCES INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE THREE MONTHS ENDED JULY 31, 2019 AND 2018

(Expressed in Canadian dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss and comprehensive before income taxes	(440)	(60,985)
Changes in non-cash working capital:		
GST receivable and prepaid expenses	-	(4,854)
Due to related parties	-	(199,197)
Accounts payable and accrued expenses	4,549	217,799
Cash provided by (used in) operating activities	4,109	(47,237)
FINANCING ACTIVITY		
Increase in loans payable	-	50,000
Cash provided by financing activity	-	50,000
Net change in cash during the period	4,109	2,763
Cash, beginning of the period	37,002	4,026
Cash, end of the period	41,111	6,789

The accompanying notes are an integral part of these interim consolidated financial statements.

1. CORPORATION INFORMATION

Navasota Resources Inc. (the “Company” or “Navasota”) was incorporated pursuant to the Business Corporations Act (British Columbia) on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company’s principal place of business is located at 349 Beach Avenue, Kelowna, British Columbia, V1Y 5R7. Its registered office is located at 6 Adeliade Street East, Unit 310 Toronto Ontario, M5C 1H6, Canada. The common shares of the Company were listed for trading on the TSX Venture Exchange (the “Exchange”), and its common shares traded under the symbol “Nav-V.” The Company’s principal business activity was searching for business opportunities in the mining industry.

On June 25, 2018, the Company entered into a letter of intent with Israel-based I.M.C. Holdings Ltd. (“IMC”) whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry. The Company signed the definitive business combination agreement with IMC (“the Combination Agreement”) on November 6, 2018 which was subsequently amended and restated on September 3, 2019 and September 25, 2019. The transaction is subject to certain conditions and applicable shareholder and regulatory approvals. The transaction has not closed at the reporting date.

Under the terms of the Combination Agreement, proposed transaction will be completed by way of a triangular statutory merger under the laws of Israel, whereby Navasota Acquisition Ltd., a wholly owned Israeli subsidiary of the Company, will merge with and into IMC, with IMC surviving as a wholly owned subsidiary of the Company. In connection with the proposed transaction, the Company will reconstitute its board of directors and change its name to “IM Cannabis Corp.” or such other similar name as may be accepted by the relevant regulatory authorities and the Resulting Issuer will conduct its business under the new name.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals including the approval of the shareholders of the Company and IMC as applicable, the consolidation of the Company’s common shares on a 1:2.83 basis (the “Consolidation”), the issuance of post-consolidation Navasota common shares to holders of IMC ordinary shares (the “IMC Shares”) on a 10:1 basis, approvals of all regulatory bodies having jurisdiction in connection with the proposed transaction including, without limitation, the approval of the Israeli Registrar of Companies, the Israeli Tax Authorities and the Medical Cannabis Unit of the Israeli Ministry of Health (YAKAR), and other closing conditions customary to transactions of the nature of the proposed transaction.

2.1 Statement of Compliance

These interim consolidated audited financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 as issued by the International Accounting Standards Board.

2. BASIS OF PREPARATION *(Continued)*

2.1 Statement of Compliance *(Continued)*

The interim consolidated financial statements were authorized for issue by the Board of Directors on October 10, 2019.

2.2 Basis of Measurement

The preparation of interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

2. BASIS OF PREPARATION *(Continued)*

2.2 Basis of Measurement *(Continued)*

The interim consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

1.3 Basis of Consolidation

The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes or more of the three elements of control listed above.

These interim consolidated financial statements include the accounts of the Company's 51% interest in Société AMIG Navasota Mining International S.A.R.L. ("AMIG"), and its 67% interest in Africa Bauxite Corporation ("ABC"). All inter-company transactions and balances have been eliminated on consolidation.

The non-controlling interests of AMIG and ABC are reported in the interim statement of consolidated financial statements within deficit, separately from the deficit attributable to the Shareholders of Parent. The Company also attributes the net loss and comprehensive loss for the period to the non-controlling interests. The proportion allocated to the shareholders of the parent and non-controlling interests are determined based on present ownership interests.

2.4 Going Concern of Operations

The Company has incurred losses in the current period and prior years. For the period ended July 31, 2019, the Company incurred a comprehensive loss of $440 (2018 - $60,985) and has an accumulated deficit of $29,046,209 (April 30, 2019 - $29,045,769) and the Company's current liabilities exceeded its current assets by $215,088 (April 30, 2019 -$214,648). Although the Company has been successful in securing additional financing in the past, the current market conditions raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's mineral property was completely impaired during the year ended April 30, 2013 (Note 5).

2. BASIS OF PREPARATION *(Continued)*

2.4 Going Concern of Operations *(Continued)*

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and will require and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these interim consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these interim consolidated financial statements unless otherwise noted.

3.1 Exploration and Evaluation Expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration, and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license, expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable to general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "mines under construction". No amortization is taken during the exploration and evaluation phase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset. The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

Impairment of long-lived assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

Impairment of long-lived assets *(Continued)*

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.2 Financial Instruments

Financial assets

The Company adopted all of the requirements of IFRS 9 Financial Instruments on May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL

Accounts payable	Amortized cost
Due to related parties	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Accounts payable is classified in this category.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise. Cash is classified in this category.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss (“OCI’). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. There are no financial instruments classified in this category as at April 30, 2019 and 2018.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. There are no financial instruments classified in this category as at July 31, 2019 and April 30, 2019.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

3.4 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the

Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Income Taxes *(Continued)*

Income Taxes Related to Flow-through Placements

According to the provisions of tax legislation relating to flow-through shares, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under look-back Rule, in accordance with government of Canada flow-through regulations. When applicable, this tax is accrued as a finance expense until paid.

3.5 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as stock options and warrants.

Unit placements

The fair value of the issued shares is determined according to the quoted price of existing shares at the time of issuance and the fair value of the warrants are determined using the Black-Scholes valuation model. The proceeds are then pro-rated according to the fair values previously determined.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period. Net loss for the period is equivalent to comprehensive loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Equity-settled Share-based Payments

The Company operates equity-settled share-based payment plans for its eligible directors and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except option units issued to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity.

Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to stock options and or warrants respectively, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, as well as the related compensation cost previously recorded as contributed surplus, are credited to share capital.

3.7 Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Earnings / Loss Per Share *(Continued)*

outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3.8 Changes in Accounting Standards

On May 1, 2019 the Company adopted IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company currently has no leases and accordingly had no impact in the interim consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

a) Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances.

Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely,

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

b) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(i) Title to exploration and evaluation assets
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) Going Concern
Refer to Note 2.4.

5. EXPLORATION AND EVALUATION ASSETS

a) Koba/Koumbia

During the year ended April 30, 2007, the Company entered into an option agreement (the "Option Agreement") with AMIG and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. AMIG is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covers two contiguous areas aggregating 1,064 km^2, located in the prefectures of the Telemele (koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

was initially valid for three years and has since, in accordance with article 30 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 km^2.

Under the terms of the Option Agreement, the Company was granted an option to acquire an initial 45% of the issued share capital of AMIG by incurring a minimum aggregate US$2,000,000 in exploration expenditures on the Project (incurred) and by paying US$350,000 (paid) to the AMIG shareholders, within a period of three years.

During the year ended April 30, 2009, the Company exercised such option and acquired 45% of the issued share capital of AMIG. The AMIG agreement was subsequently amended on December 1, 2009 pursuant to which the Company was granted an option to acquire an additional 6% of the issued share capital of AMIG by paying US$350,000 (paid). The Company has exercised such option and is the registered holder of 51% of the issued share capital of AMIG.

Additionally, the Company may elect to acquire all remaining 49% of the issued shares of AMIG by incurring all exploration and development expenditures necessary to complete and deliver to AMIG a bankable feasibility study in respect of the project paying US$15,000,000 (US$150,000 deposit paid) and issuing 1,500,000 of its common shares to the third party shareholders of AMIG.

During the year ended April 30, 2013, the Company's management reviewed the Koba/Koumbia Project and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this property interest due to the expiration of the exploration permit on December 26, 2013, and the resulting uncertainty of the Company being able to realize the carrying value of the asset. On October 30, 2013 the Ministry granted an eight month extension to the Company for the Koba/Koumbia permit to June 30, 2014. The Company was not able to find a purchaser of the property within the allotted time frame.

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

a) Koba/Koumbia *(Continued)*

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

b) Mamou-Dalaba

SGFB holds the Mamou-Dalaba bauxite property interest in Guinea, West Africa. The exploration and evaluation asset consists of one exploration permit comprising three research licenses covering 934 km^2 in south-western Guinea. The renewed permit was in good standing until December 23, 2014. During the years ended April 30, 2013 and 2014, the Company's management reviewed the Mamou-Dalaba bauxite property interest and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this exploration permit due to certain economic uncertainties relating to this asset.

(Expressed in Canadian dollars)

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	July 31, 2019	April 30, 2019
	$	$
Trade payables	243,456	238,907
Accrued expenses	12,000	12,000
	255,456	**250,907**

7. RELATED PARTY TRANSACTIONS

Included in the Loss and Comprehensive Loss for the three months ended July 31, 2019 and 2018, are the following amounts, which arose due to transactions with related parties:

	July 31, 2019	July 31, 2018
	$	$
Former Director fee	-	2,500
Management fee from former CEO	-	21,103
Management fee from former CFO	-	6,195
	-	**29,798**

The Company had the following outstanding as at July 31, 2019 and April 30, 2019 with related parties:

	July 31, 2019	April 30, 2019
	$	$
Due to related parties	743	743
	743	**743**

Due to related parties include loans and services received and unpaid from the directors of the Company (the “Directors”) and companies controlled by the Directors (the “Related Party Lenders”). Due to related parties are non-interest bearing, unsecured and have no specific terms for repayment.

Management fees consist of fees paid to companies controlled by the CEO and CFO of the Company.

8. EQUITY

8.1 Share Capital

Authorized:

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Issued:

(i) At July 31, 2019, the Company had 9,778,686 common shares outstanding (April 30, 2019 – 9,778,686).

8.2 Share Options

The Company has a share option plan whereby a rolling maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are fixed by the board of directors, and are not to exceed five years. The exercise prices of the share options are determined by the board of directors, but shall not be less than the closing price of Company’s common shares on the day preceding the day on which the directors grant the share options, less any discount permitted by the Exchange, but shall not be less than $0.05 per share. The share options vest immediately on the date of grant unless otherwise required by the Exchange, however, a four month hold period applies to all shares issued under each share option, commencing on the date issued shares may be granted to any one individual in any 12 month period; without the prior consent of the Exchange, no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of share options to insiders, within a 12 month period, exceeding 5% of the Company’s issued shares; and share options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company’s common shares. Options granted shall expire within 90 days (30 days if the optionee is engaged in investor relations activities) after the optionee ceases to be director, officer, consultant, or employee of the Company.

As at July 31, 2019 and April 30, 2019, the Company had no options outstanding.

(Expressed in Canadian dollars)

8. EQUITY *(Continued)*

8.3 Warrants

A continuity schedule of outstanding common share purchase warrants for the three months ended July 31, 2019 and 2018 is as follows:

	July 31, 2019		**April 30, 2019**	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at beginning of period	2,000,000	0.10	-	-
Issued	-	-	2,000,000	0.10
Outstanding at end of period	**2,000,000**	**0.10**	**2,000,000**	**0.10**

As at July 31, 2019 and April 30, 2019, the Company had share purchase warrant outstanding and exercisable to acquire common shares of the Company as follows:

July 31, 2019 Outstanding Warrants			**April 30, 2019 Outstanding Warrants**			
Number of Warrants	**Weighted Average Exercise Price**	**Remaining life (years)**	**Number of Warrants**	**Weighted Average Exercise Price**	**Remaining life (years)**	
	$			**$**		
2,000,000	0.10	Note a	2,000,000	0.10	0.79	Note a
2,000,000	**0.10**	**Note a**	**2,000,000**	**0.10**	**0.79**	**Note a**

Note a: During the year ended April 30, 2019, the expiry date of the warrants were extended to the earlier of (i) six months after the completion of the business combination with I.M.C and (b) April 13, 2020.

(Expressed in Canadian dollars)

9. INCOME TAXES

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

Deferred Income Taxes

	2019	**2018**
	$	**$**
Loss before income taxes	(440)	(60,985)
Tax expense at combined statutory rate of 26%	(115)	(15,856)
Unrecognized benefit of deferred income tax assets	115	15,856
Income tax expense (recovery)	-	-

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

As at July 31, 2019, the Company has non-capital tax losses which are available to reduce income taxes in future years and for which no deferred tax asset has been recorded in the statement of financial position. These losses expire as follows:

	$
2039	122,668
2038	124,970
2037	15,750
2036	45,613
2035	80,049
2034	212,867
2033	385,786
2032	614,663
2031	701,129
2030	641,138
2029	462,069
2028	380,177
2027	338,420
2026	354,030
	4,479,329

10. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator and there have been no changes in the Company's approach to capital management during the year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

11.1 Financial Instruments

Fair value hierarchy:

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

The carrying value of the cash, due to related parties, accounts payable and accrued expenses and loan payable approximate their fair value.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

11.2 Risk Management

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company‘s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company‘s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company‘s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company‘s finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company’s competitiveness and flexibility. Further details regarding these policies are set out below.

11.2.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk.

Foreign Currency Risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company’s operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

11.2 Risk Management *(Continued)*

11.2.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company does not have significant exposure to credit risk.

11.2.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specific term of repayment.

12. SUBSEQUENT EVENTS

The following subsequent events occurred after the period ended July 31, 2019:

1) In June 2019, the Company incorporated IM Cannabis (Finance) Ltd. ("FINCO") as a wholly owned subsidiary. The Company entered into an agency agreements to issue and sell, on a private placement basis, a minimum of 19,047,619 subscription receipts of FINCO at a price of $1.05 per subscription receipt for aggregate gross proceeds of a minimum of $20,000,000. (the "Offering") which it is completed in tranches subsequent to July 31, 2019. Pursuant to the agency agreements, the agents are entitled to the following:

- Cash commission equal to 7% of the gross proceeds raised from the Offering in respect of purchasers who are not on the President's list and 3.5% of the gross proceeds raised from the Offering in respect of purchasers included in the President's list.

- Compensation options equal to 7% of the gross proceeds raised from the Offering in respect of purchasers who are not on the President's list and 3.5% of the gross proceeds raised from the

12. SUBSEQUENT EVENTS *(Continued)*

Offering in respect of purchasers included in the President's list. Each compensation option will entitle holder to acquire 1 unit at exercise price of $1.05 for 36 months from closing. Each unit will have 1 common share and ½ warrant. Warrant can be exercisable into 1 common share at $1.30 for 24 months.

2) The shareholders of the Company approved to change the name of the Company to IM CANNABIS CORP.
3) The board of directors of the Company approved the consolidation of shares on the basis of one (1) post-consolidation common share for every existing 2.83 pre-consolidation common shares

NAVASOTA RESOURCES INC.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Navasota Resources Inc.:

Opinion

We have audited the consolidated financial statements of Navasota Resources Inc., (the "Company"), which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that the Company incurred a net loss of $122,668 during the year ended April 30, 2019 and has a deficit of $29,045,769 as at April 30, 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended April 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 21, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
August 29, 2019

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT APRIL 30, 2019 AND 2018

(Expressed in Canadian dollars)

	April 30, 2019	April 30, 2018
	$	$
ASSETS		
Current		
Cash	37,002	4,026
HST receivable	-	5,116
	37,002	9,142
Non-current		
Exploration and evaluation assets (Note 5)	1	1
	1	1
Total Assets	37,003	9,143
LIABILITIES		
Current		
Due to related parties (Note 7)	743	210,801
Accounts payable and accrued expenses (Note 6)	250,907	255,184
Total Liabilities	251,650	465,985
DEFICIT		
Share capital (Note 8)	26,613,483	26,327,850
Contributed surplus (Note 8)	79,230	-
Share-based payment reserves (Note 8)	2,138,409	2,138,409
Accumulated deficit	(29,045,769)	(17,114,482)
Total deficit attributable to the shareholders of parent	(214,647)	11,351,777
Non-controlling interest (Note 8)	-	(11,808,619)
	(214,647)	(456,842)
Total Liabilities and Deficit	37,003	9,143

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

(Expressed in Canadian dollars)

		2019		2018
EXPENSES				
Filing fees	$	29,127	$	43,659
Professional fees (Note 7)		57,326		59,997
Management fees (Note 7)		30,603		18,854
Rent		-		1,500
General and administration		370		895
Bank charges		126		65
Write off of HST receivable		5,116		-
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(122,668)		(124,970)
Basic and diluted loss per share	$	(0.01)	$	(0.06)
Weighted average number of common shares outstanding		8,902,223		2,159,177

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payments Reserves	Contributed surplus	Accumulated Deficit	Total Deficit Attributable to the Shareholders of Parent	Non-Controlling Interest	Total Deficit
		$	$		$	$	$	$
Balance at May 1, 2017	**2,066,026**	**26,227,850**	**2,138,409**	**-**	**(16,989,512)**	**11,376,747**	**(11,808,619)**	**(431,872)**
Share issuance (Note 8)	2,000,000	100,000	-	-	-	100,000	-	100,000
Net loss and comprehensive loss for the year	-	-	-	-	(124,970)	(124,970)	-	(124,970)
Balance as at April 30, 2018	**4,066,026**	**26,327,850**	**2,138,409**	**-**	**(17,114,482)**	**11,351,777**	**(11,808,619)**	**(456,842)**
Debt settled for shares	5,712,660	285,633	-	-	-	285,633	-	285,633
Capital contribution (Note 8)	-	-	-	79,230	-	79,230	-	79,230
Reclass of NCI to Accumulated Deficit (Note 8)	-	-	-	-	(11,808,619)	(11,808,619)	11,808,619	-
Net loss and comprehensive loss for the year	-	-	-	-	(122,668)	(122,668)	-	(122,668)
Balance as at April 30, 2019	**9,778,686**	**26,613,483**	**2,138,409**	**79,230**	**(29,045,769)**	**(214,647)**	**-**	**(214,647)**

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2019 AND 2018

(Expressed in Canadian dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	(122,668)	(124,970)
Adjustments for non-cash item:		
Write off of HST receivable	5,116	-
Change in non-cash working capital:		
HST receivable	-	(5,011)
Due to related parties	75,575	(25,170)
Accounts payable and accrued expenses	(4,277)	59,007
Cash used for operating activities	(46,254)	(96,144)
FINANCING ACTIVITY		
Share issuance	-	100,000
Capital contribution	79,230	-
Cash provided by financing activities	79,230	100,000
Net change in cash during the year	32,976	3,856
Cash, beginning of the year	4,026	170
Cash, end of the year	37,002	4,026

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATION INFORMATION

Navasota Resources Inc. (the "Company" or "Navasota") was incorporated pursuant to the Business Corporations Act (British Columbia) on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company's principal place of business is located at 349 Beach Avenue, Kelowna, British Columbia, V1Y 5R7. Its registered office is located at 6 Adeliade Street East, Unit 310 Toronto Ontario, M5C 1H6, Canada. The common shares of the Company were listed for trading on the TSX Venture Exchange (the "Exchange"), and its common shares traded under the symbol "Nav-V." The Company's principal business activity was searching for business opportunities in the mining industry.

On June 25, 2018, the Company entered into a letter of intent with Israel-based I.M.C. Holdings Ltd. ("IMC") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry. The Company signed the definitive business combination agreement with IMC ("the Combination Agreement") on November 6, 2018. The transaction is subject to certain conditions and applicable shareholder and regulatory approvals. The transaction has not closed at the reporting date.

Under the terms of the Combination Agreement, proposed transaction will be completed by way of a triangular statutory merger under the laws of Israel, whereby Navasota Acquisition Ltd., a wholly owned Israeli subsidiary of the Company, will merge with and into IMC, with IMC surviving as a wholly owned subsidiary of the Company. In connection with the proposed transaction, the Company will reconstitute its board of directors and change its name to "IM Cannabis Corp." or such other similar name as may be accepted by the relevant regulatory authorities and the Resulting Issuer will conduct its business under the new name.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals including the approval of the shareholders of the Company and IMC as applicable, the consolidation of the Company's common shares on a 1:2.83 basis (the "Consolidation"), the issuance of post-consolidation Navasota common shares to holders of IMC ordinary shares (the "IMC Shares") on a 10:1 basis, approvals of all regulatory bodies having jurisdiction in connection with the proposed transaction including, without limitation, the approval of the Israeli Registrar of Companies, the Israeli Tax Authorities and the Medical Cannabis Unit of the Israeli Ministry of Health (YAKAR), and other closing conditions customary to transactions of the nature of the proposed transaction.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2019.

2.2 Basis of Measurement

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment within the next financial year are included in Note 11.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The consolidated financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

2. BASIS OF PREPARATION *(Continued)*

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has a right to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

These consolidated financial statements include the accounts of the Company, its 51% interest in Société AMIG Navasota Mining International S.A.R.L. (“AMIG”), and its 67% interest in Africa Bauxite Corporation (“ABC”) and its wholly-owned subsidiary Navasota Acquisition Ltd. All inter-company transactions and balances have been eliminated on consolidation.

The non-controlling interests of AMIG and ABC are reported in the statement of consolidated financial statements within deficit, separately from the deficit attributable to the shareholders of the Company. The Company also attributes the net loss and comprehensive loss for the year to the non-controlling interests. The proportion allocated to the shareholders of the Company and the non-controlling interests are determined based on present ownership interests.

2.4 Going Concern of Operations

The Company has incurred losses in the current and prior years. For the year ended April 30, 2019, the Company incurred a comprehensive loss of $122,668 (2018 - $124,970) and has an accumulated deficit of $29,045,769 (2018 - $17,114,482) and the Company’s current liabilities exceeded its current assets by $214,647 (2018 - $456,842). Although the Company has been successful in securing additional financing in the past, there is no certainty that it can continue to do so. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s mineral property was completely impaired during the year ended April 30, 2013 (Note 5).

The application of the going concern concept is dependent upon the Company’s ability to satisfy its current liabilities. After the year end, the Company entered into a letter of intent with a cannabis company to complete a business combination and the transaction is subject to a number of conditions. There can be no assurance that management’s plan will be successful. If the going concern assumption are not appropriate for these consolidated financial statements then adjustments may be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION *(Continued)*

2.4 Going Concern of Operations (Continued)

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise noted.

3.1 Exploration and Evaluation Expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration, and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license, expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable to general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement.

As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “mines under construction”. No amortization is taken during the exploration and evaluation phase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset. The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

Impairment of long-lived assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.2 Financial Instruments

Financial assets

The Company adopted all of the requirements of IFRS 9 Financial Instruments on May 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash	FVTPL	FVTPL
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Accounts payable is classified in this category.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise. Cash is classified in this category.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss ("OCI'). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. There are no financial instruments classified in this category as at April 30, 2019 and 2018.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. There are no financial instruments classified in this category as at April 30, 2019 and 2018.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

3.3 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded for stock options and warrants.

Unit placements

The fair value of the issued shares is determined according to the quoted price of existing shares at the time of issuance and the fair value of the warrants are determined using the Black-Scholes valuation model. The proceeds are then pro-rated according to the fair values previously determined.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period. Net loss for the period is equivalent to comprehensive loss for the period.

3.5 Equity-settled Share-based Payments

The Company operates equity-settled share-based payment plans for its eligible directors and consultants. None of the Company’s plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except option units issued to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Equity-settled Share-based Payments *(Continued)*

Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to stock options and or warrants respectively, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, as well as the related compensation cost previously recorded as contributed surplus, are credited to share capital.

3.6 Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3.7 Changes in Accounting Standards

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Changes in Accounting Standards *(Continued)*

IFRS 16, Leases ("IFRS 16"): In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has no leases.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

a) Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income (loss)in t he year the new information becomes available.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Critical Accounting Estimates

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

b) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(i) Title to exploration and evaluation assets
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) Going concern
Refer to Note 2.4

5. EXPLORATION AND EVALUATION ASSETS

a) Koba/Koumbia

During the year ended April 30, 2007, the Company entered into an option agreement (the "Option Agreement") with AMIG and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. AMIG is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

a) Koba/Koumbia *(Continued)*

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covers two contiguous areas aggregating 1,064 km^2, located in the prefectures of the Telemele (koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with article 30 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 km^2.

Under the terms of the Option Agreement, the Company was granted an option to acquire an initial 45% of the issued share capital of AMIG by incurring a minimum aggregate US$2,000,000 in exploration expenditures on the Project (incurred) and by paying US$350,000 (paid) to the AMIG shareholders, within a period of three years.

During the year ended April 30, 2009, the Company exercised such option and acquired 45% of the issued share capital of AMIG. The AMIG agreement was subsequently amended on December 1, 2009 pursuant to which the Company was granted an option to acquire an additional 6% of the issued share capital of AMIG by paying US$350,000 (paid). The Company has exercised such option and is the registered holder of 51% of the issued share capital of AMIG.

Additionally, the Company may elect to acquire all remaining 49% of the issued shares of AMIG by incurring all exploration and development expenditures necessary to complete and deliver to AMIG a bankable feasibility study in respect of the project paying US$15,000,000 (US$150,000 deposit paid) and issuing 300,000 of its common shares to the third party shareholders of AMIG.

During the year ended April 30, 2013, the Company’s management reviewed the Koba/Koumbia Project and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this property interest due to the expiration of the exploration permit on December 26, 2013, and the resulting uncertainty of the Company being able to realize the carrying value of the asset. On October 30, 2013 the Ministry granted an eight month extension to the Company for the Koba/Koumbia permit to June 30, 2014. The Company was not able to find a purchaser of the property within the allotted time frame.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

a) Koba/Koumbia *(Continued)*

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further in this regard and as a result the project is considered closed. The nominal value of $1 kept as a carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

b) Mamou-Dalaba

SGFB holds the Mamou-Dalaba bauxite property interest in Guinea, West Africa. The exploration and evaluation asset consists of one exploration permit comprising three research licenses covering 934 km^2 in south-western Guinea. The renewed permit was in good standing until December 23, 2014. During the years ended April 30, 2013 and 2014, the Company's management reviewed the Mamou-Dalaba bauxite property interest and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this exploration permit due to certain economic uncertainties relating to this asset.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	April 30, 2019	April 30, 2018
	$	$
Trade payables	238,907	245,184
Accrued expenses	12,000	10,000
	250,907	**255,184**

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS

Included in the Loss and Comprehensive Loss for the years ended April 30, 2019 and 2018, are the following amounts, which arose due to transactions with related parties:

	April 30, 2019	April 30, 2018
	$	$
Management fee from CEO	-	11,854
Management fee from former CEO	21,103	-
Management fee from CFO	-	5,000
Management fee from Director	7,000	2,000
Management fee from former Director	2,500	-
Professional fees from CFO	-	15,750
	30,603	**34,604**

The Company had the following balances outstanding as at April 30, 2019 and 2018 with related parties:

	April 30, 2019	April 30, 2018
	$	$
Due to related parties	743	210,801
	743	**210,801**

Due to related parties include loans and services received and unpaid from the directors of the Company and companies controlled by the directors. Due to related parties are non-interest bearing, unsecured and have no specified terms for repayment.

8. EQUITY

8.1 Share Capital

Authorized:
Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Share consolidation:
On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

8. EQUITY *(Continued)*

8.1 Share Capital *(Continued)*

Issued:

(i) At April 30, 2019, the Company had 9,778,686 common shares outstanding (April 30, 2018 – 4,066,026).

(ii) On April 13, 2018, the Company closed a non-brokered private placement of 2,000,000 units at a price of $0.05 per unit, for gross cash proceeds totaling $100,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of $0.10 per warrant share until April 13, 2019, subject to accelerated expiry in certain circumstances.

(iii) During the year ended April 30, 2019, the Company settled $285,633 of balances due to related and unrelated parties with the issuance of 5,712,660 common shares.

(iv) During the year ended April 30, 2019, the Company received $79,230 as capital contribution from the shareholders.

8.2 Share Options

The Company has a share option plan whereby a rolling maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are fixed by the board of directors, and are not to exceed five years. The exercise prices of the share options are determined by the board of directors, but shall not be less than the closing price of Company’s common shares on the day preceding the day on which the directors grant the share options, less any discount permitted by the Exchange, but shall not be less than $0.25 per share. The share options vest immediately on the date of grant unless otherwise required by the Exchange, however, a four month hold period applies to all shares issued under each share option, commencing on the date issued shares may be granted to any one individual in any 12 month period; without the prior consent of the Exchange, no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of share options to insiders, within a 12 month period, exceeding 5% of the Company’s issued shares; and share options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company’s common shares. Options granted shall expire within 90 days (30 days if the optionee is engaged in investor relations activities) after the optionee ceases to be director, officer, consultant, or employee of the Company.

(Expressed in Canadian dollars)

8. EQUITY *(Continued)*

8.2 Share Options *(Continued)*

A continuity schedule of the Company's outstanding share options for years ended April 30, 2019 and 2018 is as follows:

	April 30, 2019		April 30, 2018	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at beginning of year	70,000	0.20	70,000	0.20
Expired	(70,000)	0.20	-	-
Outstanding at end of year	**-**	**-**	**70,000**	**0.20**

As at April 30, 2019 and 2018, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

	April 30, 2019 Outstanding Options			April 30, 2018 Outstanding Options		
	Number of Options	**Weighted Average Exercise Price**	**Remaining life (years)**	**Number of Options**	**Weighted Average Exercise Price**	**Remaining life (years)**
		$			**$**	
September 9, 2018	-	-	-	70,000	0.20	0.36
	-	**-**	**-**	**70,000**	**0.20**	**0.36**

8.3 Warrants

A continuity schedule of outstanding common share purchase warrants for the years ended April 30, 2019 and 2018 is as follows:

	April 30, 2019		April 30, 2018	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at beginning of year	-	-	-	-
Issued	2,000,000	0.10	2,000,000	0.10
Outstanding at end of year	**2,000,000**	**0.10**	**2,000,000**	**0.10**

(Expressed in Canadian dollars)

8. EQUITY *(Continued)*

8.3 Warrants *(Continued)*

As at April 30, 2019 and 2018, the Company had share purchase warrant outstanding and exercisable to acquire common shares of the Company as follows:

	April 30, 2019 Outstanding Warrants			April 30, 2018 Outstanding Warrants		
	Number of Warrants	**Weighted Average Exercise Price**	**Remaining life (years)**	**Number of Warrants**	**Weighted Average Exercise Price**	**Remaining life (years)**
		$			$	
	2,000,000	0.10	Note a	2,000,000	0.10	0.79
	2,000,000	**0.10**	**Note a**	**2,000,000**	**0.10**	**0.79**

Note a: During the year ended April 30, 2019, the expiry date of the warrants were extended to the earlier of (i) six months after the completion of the business combination with I.M.C and (b) April 13, 2020.

8.4 Non-controlling interests ("NCI')

During the year ended April 30, 2019, the Company determined that the amounts advance to AMIG and ABC (the "Subsidiaries") had no prospect of recovery and accordantly these loans became part of the Company's net investment in the Subsidiaries, that has been written down to $Nil. Accordingly the NCI of $11,808,619 has been reclassified accumulated deficit during the year ended April 30, 2019.

9. INCOME TAXES

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

Deferred Income Taxes

	2019	2018
	$	$
Loss before income taxes	(122,668)	(124,970)
Tax expense at combined statutory rate of 27% (2018: 27%)	(33,120)	(33,742)
Unrecognized benefit of deferred income tax assets	33,120	33,742
Income tax expense (recovery)	-	-

(Expressed in Canadian dollars)

9. INCOME TAXES *(Continued)*

Deferred Income Taxes *(Continued)*

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

As at April 30, 2019, the Company has non-capital tax losses which are available to reduce income taxes in future years and for which no deferred tax asset has been recorded in the consolidated statement of financial position. These losses expire as follows:

	$
2039	122,668
2038	124,970
2037	15,750
2036	45,613
2035	80,049
2034	212,867
2033	385,786
2032	614,663
2031	701,129
2030	641,138
2029	462,069
2028	380,177
2027	338,420
2026	354,030
	4,479,329

10. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders’ equity and cash as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator and there have been no changes in the Company’s approach to capital management during the year.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value hierarchy:

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

The carrying value of the cash, due to related parties and accounts payable approximate their fair value.

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

11.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of foreign currency risk and interest rate risk.

Foreign Currency Risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

11.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions with reputable credit or in trust accounts with the Company's legal counsel and may be redeemed upon demand. The Company does not have significant exposure to credit risk.

11.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specific term of repayment. Liquidity risk has been assessed as being high.

NAVASOTA RESOURCES INC.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2018 AND 2017

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JACKSON & COMPANY
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Navasota Resources Inc.

We have audited the accompanying consolidated financial statements of Navasota Resources Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at April 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years ended April 30, 2018 and 2017, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Navasota Resources Inc. and its subsidiaries as at April 30, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Jackson & Company

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia
August 21, 2018

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT APRIL 30, 2018 AND 2017

(Expressed in Canadian dollars)

	April 30, 2018	April 30, 2017
	$	$
ASSETS		
Current		
Cash	4,026	170
GST receivable	5,116	105
	9,142	275
Non-current		
Exploration and evaluation assets (Note 5)	1	1
	1	1
Total Assets	9,143	276
LIABILITIES		
Current		
Due to related parties (Note 8)	210,801	229,530
Accounts payable and accrued expenses (Note 6)	255,184	196,177
Loan payable (Note 7)	-	6,441
Total Liabilities	465,985	432,148
DEFICIT		
Share capital (Note 9)	26,327,850	26,227,850
Share-based payments reserves (Note 9)	2,138,409	2,138,409
Deficit accumulated	(17,114,482)	(16,989,512)
Total deficit attributable to the shareholders of parent	11,351,777	11,376,747
Non-controlling interests (Note 10)	(11,808,619)	(11,808,619)
	(456,842)	(431,872)
Total Liabilities and Deficiency	9,143	276

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED APRIL 30, 2018 AND 2017

(Expressed in Canadian dollars)

Continued Operations		2018		2017
EXPENSES				
Filing fees	$	43,659	$	5,250
Professional fees (Note 8)		59,997		10,000
Management fees (Note 8)		18,854		-
Rent		1,500		-
General and administration		895		-
Bank charges		65		-
Operating loss		(124,970)		(15,250)
Finance Costs				
Interest expenses (Note 7)		-		(500)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(124,970)		(15,750)
Net loss and comprehensive loss attributable to:				
Shareholders of the parent		(124,970)		(15,750)
Non-controlling interests (Note 10)		-		-
		(124,970)		(15,750)
Basic and diluted loss per share	$	(0.06)	$	(0.01)
Weighted average number of common shares outstanding		2,159,177		2,066,026

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED APRIL 30, 2018 AND 2017

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-based Payments Reserves	Deficit Accumulated	Total Deficit Attributable to the Shareholders of Parent	Non-Controlling Interests	Total Deficit
		$	$	$	$	$	$
Balance at May 1, 2016	**2,066,026**	**26,227,850**	**2,138,409**	**(16,973,762)**	**11,392,497**	**(11,808,619)**	**(416,122)**
Total comprehensive loss	-	-	-	(15,750)	(15,750)	-	(15,750)
Balance at April 30, 2017	**2,066,026**	**26,227,850**	**2,138,409**	**(16,989,512)**	**11,376,747**	**(11,808,619)**	**(431,872)**
Share issuance (Note 9)	2,000,000	100,000	-	-	100,000	-	100,000
Total comprehensive loss	-	-	-	(124,970)	(124,970)	-	(124,970)
Balance at April 30, 2018	**4,066,026**	**26,327,850**	**2,138,409**	**(17,114,482)**	**11,351,777**	**(11,808,619)**	**(456,842)**

The accompanying notes are an integral part of these consolidated financial statements.

NAVASOTA RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2018 AND 2017

(Expressed in Canadian dollars)

	2018	2017
	$	$
OPERATING ACTIVITIES		
Loss for the year	(124,970)	(15,750)
Adjustments for non-cash item:		
Interest accrued	-	500
Movement in working capital:		
Increase in GST receivable and prepaid expenses	(5,011)	-
Decrease in due to related parties	(25,170)	-
Increase in accounts payable and accrued expenses	59,007	15,250
Cash used for operating activities	(96,144)	-
FINANCING ACTIVITY		
Share issuance	100,000	-
Cash provided by financing activity	100,000	-
Net change in cash during the year	3,856	-
Cash, beginning of the year	170	170
Cash, end of the year	4,026	170

The accompanying notes are an integral part of these consolidated financial statements.

1. CORPORATION INFORMATION

Navasota Resources Inc. (the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on March 7, 1980. Effective July 12, 2013, in connection with a share consolidation, the Company has changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company's principal place of business is located at 349 Beach Avenue, Kelowna, British Columbia, V1Y 5R7. Its registered office is located at 6 Adeliade Street East, Unit 310 Toronto Ontario, M5C 1H6, Canada. The common shares of the Company were listed for trading on the TSX Venture Exchange (the "Exchange"), and its common shares traded under the symbol "Nav-V." The Company's principal business activity was searching business opportunities in the mining industry.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares (Note 15). Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

On June 25, 2018, the Company entered into a letter of intent with Israel-based I.M.C. Holdings Ltd. ("IMC") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry (Note 15).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These consolidated audited financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on August 21, 2018.

2.2 Basis of Measurement

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

2. BASIS OF PREPARATION *(Continued)*

2.2 Basis of Measurement *(Continued)*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 14.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 4.

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The consolidated financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes or more of the three elements of control listed above.

These consolidated financial statements include the accounts of the Company for its 51% interest in Société AMIG Navasota Mining International S.A.R.L. ("AMIG"), and its 67% interest in Africa Bauxite Corporation ("ABC"). All inter-company transactions and balances have been eliminated on consolidation.

The non-controlling interests of AMIG and ABC are reported in the statement of consolidated financial statements within deficit, separately from the deficit attributable to the Shareholders of Parent. The Company also attributes the net loss and comprehensive loss for the year to the non-controlling interests. The proportion allocated to the shareholders of the parent and non-controlling interests are determined based on present ownership interests.

2. BASIS OF PREPARATION *(Continued)*

2.4 Going Concern of Operations

The Company has incurred losses in the current and prior years. For the year ended April 30, 2018, the Company incurred a comprehensive loss of $124,970 (2017 - $15,750) and has an accumulated deficit of $17,114,482 (2017 - $16,989,512) and the Company's current liabilities exceeded its current assets by $456,843 (2017 - $431,873). Although the Company has been successful in securing additional financing in the past, the current market conditions raise material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's mineral property was completely impaired during the year ended April 30, 2013 (Note 5).

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities. After the year end, the Company entered into a letter of intention with a cannabis company to complete a business combination and the transaction is subject to a number of conditions. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

These audited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying values of the assets and liabilities have been made in these audited consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these audited consolidated financial statements unless otherwise noted.

3.1 Exploration and Evaluation Expenditures

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration, and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license, expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable to general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “mines under construction”. No amortization is taken during the exploration and evaluation phase.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset. The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Exploration and Evaluation Expenditures *(Continued)*

Impairment of long-lived assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.2 Financial Instruments

At initial recognition, the Company classifies its financial instruments in the following categories:

Financial assets at fair value through profit or loss:

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Financial instruments in this category are recognized initially at cost, and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which are classified as long-term. Interest rate swaps and warrants are classified as current.

As at April 30, 2018 and 2017, the Company had no financial instruments under this classification.

Available-for-sale investments:

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs, and are subsequently carried at fair value. Gains or losses arising from re-measurement are recognized in the other comprehensive income, except for exchange gains and losses on the translation of equity securities, which are recognized in the consolidated statements of loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from the accumulated other comprehensive income to the consolidated statements of loss, and are included in “gains (losses) on sale of debt and equity security (net)”. Available-for-sale investments are classified as non-current, unless an investment matures within twelve months, or management expects to dispose of it within twelve months.

Interest on available-for-sale debt instruments, calculated using the effective interest method, is recognized in the statement of operations as part of the interest income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of loss as dividend income, when the Company’s right to receive payment is established.

As at April 30, 2018 and 2017, the Company had no financial instruments under this classification.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loans and receivables comprise cash and GST receivable. Loan and receivable are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Financial liabilities at amortized cost:

Financial liabilities at amortized cost include due to related parties, accounts payable and accrued expenses and loans payable. Payable costs are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, payables are measured at amortized cost using the effective interest method. Loans payable and due to related parties are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Financial Instruments *(Continued)*

Fair value hierarchy:

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

The carrying value of the cash, GST receivable, due to related parties, accounts payable and accrued expenses and loans payable approximate their fair value.

3.3 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as stock options and warrants.

Unit placements

The fair value of the issued shares is determined according to the quoted price of existing shares at the time of issuance and the fair value of the warrants are determined using the Black-Scholes valuation model. The proceeds are then pro-rated according to the fair values previously determined.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period. Net loss for the period is equivalent to comprehensive loss for the period.

3.5 Equity-settled Share-based Payments

The Company operates equity-settled share-based payment plans for its eligible directors and consultants. None of the Company's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except option units issued to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Equity-settled Share-based Payments *(Continued)*

Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to stock options and or warrants respectively, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, as well as the related compensation cost previously recorded as contributed surplus, are credited to share capital.

3.6 Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3.7 Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Changes in Accounting Standards

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact the final standard and amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"): In May 2014, the IASB and the Financial Accounting Standards Board ("FASB") completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The Company currently does not have any revenue however, prior to commencement of commercial production, the Company will assess the impact of IFRS 15.

IFRS 16, Leases ("IFRS 16"): In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company currently has no leases.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22"): On December 8, 2016, the IASB issued IFRIC 22, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The Standard provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income on initial recognition that relates to, and is recognized on the de-recognition of, a non-monetary.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

a) Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

b) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(i) Title to exploration and evaluation assets
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. EXPLORATION AND EVALUATION ASSETS

a) Koba/Koumbia

During the year ended April 30, 2007, the Company entered into an option agreement (the "Option Agreement") with AMIG and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. AMIG is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covers two contiguous areas aggregating 1,064 km^2, located in the prefectures of the Telemele (koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with article 30 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 km^2.

Under the terms of the Option Agreement, the Company was granted an option to acquire an initial 45% of the issued share capital of AMIG by incurring a minimum aggregate US$2,000,000 in exploration expenditures on the Project (incurred) and by paying US$350,000 (paid) to the AMIG shareholders, within a period of three years.

During the year ended April 30, 2009, the Company exercised such option and acquired 45% of the issued share capital of AMIG. The AMIG agreement was subsequently amended on December 1, 2009 pursuant to which the Company was granted an option to acquire an additional 6% of the issued share capital of AMIG by paying US$350,000 (paid). The Company has exercised such option and is the registered holder of 51% of the issued share capital of AMIG.

5. EXPLORATION AND EVALUATION ASSETS *(Continued)*

a) Koba/Koumbia *(Continued)*

Additionally, the Company may elect to acquire all remaining 49% of the issued shares of AMIG by incurring all exploration and development expenditures necessary to complete and deliver to AMIG a bankable feasibility study in respect of the project paying US$15,000,000 (US$150,000 deposit paid) and issuing 300,000 of its common shares to the third party shareholders of AMIG.

The Company entered into a Memorandum of Understanding with the Ministry of Mines, Energy and Hydraulic of the Republic of Guinea (the "Ministry") allowing for the sale of the Koba/Koumbia Project to a third party. The Company will work with the Ministry to identify acceptable potential purchasers for its bauxite resources and will endeavor to complete a sale that is acceptable to both parties in a timely manner. The Ministry shall provide all requisite approvals for any potential sale and, in consideration for such approval, the Company will pay 50% of the net sale proceeds to the Ministry. Any disposition of the Project shall be subject to acceptance of the Exchange and, if required, approval of the Company's shareholders. As at and subsequent to April 30, 2016, the Company is not in negotiations with any potential purchases of the Koba/Koumbia Project.

During the year ended April 30, 2013, the Company's management reviewed the Koba/Koumbia Project and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this property interest due to the expiration of the exploration permit on December 26, 2013, and the resulting uncertainty of the Company being able to realize the carrying value of the asset. On October 30, 2013 the Ministry granted an eight month extension to the Company for the Koba/Koumbia permit to June 30, 2014. The Company was not able to find a purchaser of the property within the allotted time frame.

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

b) Mamou-Dalaba

SGFB holds the Mamou-Dalaba bauxite property interest in Guinea, West Africa. The exploration and evaluation asset consists of one exploration permit comprising three research licenses covering 934 km^2 in south-western Guinea. The renewed permit was in good standing until December 23, 2014. During the years ended April 30, 2013 and 2014, the Company's management reviewed the Mamou-Dalaba bauxite property interest and determined to recognize an impairment to a nominal value of $1 of its exploration and evaluation assets relating to this exploration permit due to certain economic uncertainties relating to this asset.

(Expressed in Canadian dollars)

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	April 30, 2018	April 30, 2017
	$	$
Trade payables	245,184	145,420
Accrued expenses	10,000	50,757
	255,184	**196,177**

After the year end, account payables for $76,832 were settled by the Company through the issuance of common shares (Note 15).

7. LOAN PAYABLE

Loan payable consists of the following:

	April 30, 2018	April 30, 2017
	$	$
Principal	-	5,000
Interest accrued	-	1,441
	-	**6,441**

During the year ended April 30, 2015, the Company received loans of $5,000 from an unrelated third party. The loan bears interest of 10% per annum unsecured and have no specific terms for repayment. This loan was assigned to directors of the Company during the year ended April 30, 2018. The assigned loan is without interests and due to demand (Note 8).

8. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not.

Transactions between related parties are generally affected on the same terms, conditions and amounts as transactions between unrelated parties.

When considering each possible related party, not only their legal status is taken into account, but also the substance of the relationship between these parties.

Included in the Loss and Comprehensive Loss for the years ended April 30, 2018 and 2017, are the following amounts, which arose due to transactions with related parties:

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS *(Continued)*

	April 30, 2018	April 30, 2017
	$	$
Management fee from CEO	11,854	-
Management fee from CFO	5,000	-
Management fee from Director	2,000	-
Professional fees from CFO	15,750	-
	34,604	**-**

The Company had the following outstanding as at April 30, 2018 and 2017 with related parties:

	April 30, 2018	April 30, 2017
	$	$
Due to related parties	210,801	229,530
	210,801	**229,530**

Due to related parties include loans and services received and unpaid from the directors of the Company (the "Directors") and companies controlled by the Directors (the "Related Party Lenders"). Due to related parties are non-interest bearing, unsecured and have no specific terms for repayment. After the year end, the balance due to related party for $208,801 was settled by the Company through the issuance of common shares (Note 15).

9. EQUITY

9.1 Share Capital

Authorized:
Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Share consolidation:
On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares (Note 15). Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

Issued:

(i) At April 30, 2018, the Company had 4,066,026 common shares outstanding (2017 – 2,066,026).

(ii) On April 13, 2018, the Company closed a non-brokered private placement of 2,000,000 units at a price of $0.05 per unit, for proceeds totaling $100,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of $0.10 per warrant share until April 13, 2019, subject to accelerated expiry in certain circumstances.

(Expressed in Canadian dollars)

9. EQUITY *(Continued)*

9.2 Share Options

The Company has a share option plan whereby a rolling maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are fixed by the board of directors, and are not to exceed five years. The exercise prices of the share options are determined by the board of directors, but shall not be less than the closing price of Company's common shares on the day preceding the day on which the directors grant the share options, less any discount permitted by the Exchange, but shall not be less than $0.25 per share. The share options vest immediately on the date of grant unless otherwise required by the Exchange, however, a four month hold period applies to all shares issued under each share option, commencing on the date issued shares may be granted to any one individual in any 12 month period; without the prior consent of the Exchange, no more than 2% of the issued shares may be granted to a consultant, or an employee performing investor relations activities, in any 12 month period; disinterested shareholder approval must be obtained for (i) any reduction in the exercise price of an outstanding option, if the holder is an insider, (ii) any grant of share options to insiders, within a 12 month period, exceeding 5% of the Company's issued shares; and share options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Company's common shares. Options granted shall expire within 90 days (30 days if the optionee is engaged in investor relations activities) after the optionee ceases to be director, officer, consultant, or employee of the Company.

A continuity schedule of the Company's outstanding share options for years ended April 30, 2018 and 2017 is as follows:

	April 30, 2018		**April 30, 2017**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at beginning of year	70,000	0.20	130,000	0.20
Expired	-	-	(60,000)	(0.20)
Outstanding at end of year	**70,000**	**0.20**	**70,000**	**0.20**

(Expressed in Canadian dollars)

9. EQUITY *(Continued)*

9.2 Share Options *(Continued)*

As at April 30, 2018 and 2017, the Company had share options outstanding and exercisable to acquire common shares of the Company as follows:

	April 30, 2018 Outstanding Options			April 30, 2017 Outstanding Options		
	Number of Options	**Weighted Average Exercise Price**	**Remaining life (years)**	**Number of Options**	**Weighted Average Exercise Price**	**Remaining life (years)**
		$			**$**	
September 9, 2018	70,000	0.20	0.36	70,000	0.20	1.36
	70,000	**0.20**	**0.36**	**70,000**	**0.20**	**1.36**

9.3 Warrants

A continuity schedule of outstanding common share purchase warrants for the years ended April 30, 2018 and 2017 is as follows:

	April 30, 2018		April 30, 2017	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at beginning of year	-	-	-	-
Issued	2,000,000	0.10	-	-
Outstanding at end of year	**2,000,000**	**0.10**	**-**	**-**

As at April 30, 2018 and 2017, the Company had share purchase warrant outstanding and exercisable to acquire common shares of the Company as follows:

	April 30, 2018 Outstanding Warrants			April 30, 2017 Outstanding Warrants		
	Number of Warrants	**Weighted Average Exercise Price**	**Remaining life (years)**	**Number of Warrants**	**Weighted Average Exercise Price**	**Remaining life (years)**
		$			**$**	
April 13, 2019	2,000,000	0.10	0.79	-	-	-
	2,000,000	**0.10**	**0.79**	**-**	**-**	**-**

(Expressed in Canadian dollars)

10. NON-CONTROLLING INTERESTS

Non-controlling interests consist of:

	April 30, 2018	April 30, 2017
	$	$
Balance as at beginning of the year	11,808,619	11,808,619
Share of loss for the year	-	-
	11,808,619	11,808,619

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Note 9.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2018 and 2017.

		2018		2017
Net loss	$	(124,970)	$	(15,750)
Weighted average number of common shares		2,159,177		2,066,026
Basic and diluted loss per share	$	(0.06)	$	(0.01)

12. INCOME TAXES

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

Deferred Income Taxes

	2018	2017
	$	$
Loss before income taxes	(124,970)	(15,750)
Tax expense at combined statutory rate of 27% (2017: 26%)	(33,742)	(4,095)
Unrecognized benefit of deferred income tax assets	33,742	4,095
Income tax expense (recovery)	-	-

(Expressed in Canadian dollars)

12. INCOME TAXES *(Continued)*

Deferred Income Taxes *(Continued)*

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

As at April 30, 2018, the Company has non-capital tax losses which are available to reduce income taxes in future years and for which no deferred tax asset has been recorded in the consolidated statement of financial position. These losses expire as follows:

	$
2038	124,970
2037	15,750
2036	45,613
2035	80,049
2034	212,867
2033	385,786
2032	614,663
2031	701,129
2030	641,138
2029	462,069
2028	380,177
2027	338,420
2026	354,030
	4,356,661

13. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:
- – to ensure the Company's ability to continue as a going concern;
- – to increase the value of the assets of the business; and
- – to provide an adequate return to shareholders.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity. Capital for the reporting periods under review is summarized in Note 9 and in the consolidated statement of changes in equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through shares for which an amount should be used for exploration work.

13. CAPITAL MANAGEMENT POLICIES AND PROCEDURES *(Continued)*

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

14. RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company‘s objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company‘s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company‘s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company‘s finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company’s competitiveness and flexibility. Further details regarding these policies are set out below.

14.1 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk.

14. RISK MANAGEMENT *(Continued)*

14.1 Market Risk *(Continued)*

Foreign Currency Risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

Equity Price Risk:
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

14.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company does not have significant exposure to credit risk.

14.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specific term of repayment.

15. SUBSEQUENT EVENTS

As of June 18, 2018, the Company received the requisite shareholder approval for the voluntary delisting of its common shares from the NEX board of the TSX Venture Exchange. From June 18, 2018, the Company's common shares are not listed and posted for trading on any marketplace and there is no public liquid market to trade the common shares.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

On June 25, 2018, the Company completed a debt settlement in which the Company settled indebtedness of $285,633 (Notes 6 and 8) through the issuance of 5,712,660 common shares at a deemed price of $0.05 per Debt share.

On June 25, 2018, the Company announced it entered into a letter of intent with Israel-based I.M.C. Holdings Ltd. ("IMC") whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry.

The completion of this transaction is subject to a number of conditions, including but not limited to the following:

- the execution of a definitive agreement;
- completion of mutually satisfactory due diligence;
- completion of the Share Consolidation; and
- receipt of all required regulatory, corporate and third party approvals, including approvals by governing regulatory bodies, the shareholders of Navasota, applicable Israeli governmental authorities, and the fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

NAVASOTA RESOURCES INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019

(EXPRESSED IN CANADIAN DOLLARS IN THOUSANDS)

NAVASOTA RESOURCES INC.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019

Canadian dollars in thousands

(Unaudited)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2019 (Unaudited)
Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 37	$ 3,059	$ 19,371	$ 22,467	$ 168	$ (168)	$ 22,467
Trade receivables	-	217	-	217	42	(42)	217
Other accounts receivable	12	402	-	414	47	(47)	414
Biological assets	-	58	-	58	-	-	58
Inventories	-	7,148	-	7,148	222	(222)	7,148
	49	10,884	19,371	30,304	479	(479)	30,304
NON-CURRENT ASSETS:							
Property, plant and equipment, net	-	2,061	-	2,061	693	(693)	2,061
Right-of-use assets, net	-	974	-	974	-	-	974
Deferred tax assets	-	292	-	292	-	-	292
Intangible assets, net	-	1,093	-	1,093	40	(88)	1,045
Goodwill	-	548	-	548	30	(30)	548
	-	4,968	-	4,968	763	(811)	4,920
Total assets	$ 49	$ 15,852	$ 19,371	$ 35,272	$ 1,242	$ (1,290)	$ 35,224

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2019 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
LIABILITIES AND EQUITY							
CURRENT LIABILITIES:							
Current maturities of lease liabilities	$ -	$ 120	$ -	$ 120	$ -	$ -	$ 120
Trade payables	-	423	-	423	5	(5)	423
Other accounts payable and accrued expenses	280	1,217	1,030	2,527	1,320	(1,320)	2,527
	280	1,760	1,030	3,070	1,325	(1,325)	3,070
NON-CURRENT LIABILITIES:							
Lease liabilities	-	873	-	873	-	-	873
Deferred tax liability	-	1,433	-	1,433	-	(11)	1,422
Warrants measured at fair value	-	5,784	-	5,784	-	-	5,784
Employee benefit liabilities, net	-	233	-	233	-	-	233
	-	8,323	-	8,323	-	(11)	8,312
Total liabilities	280	10,083	1,030	11,393	1,325	(1,336)	11,382
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:							
Share capital and premium	26,614	7,099	(4,895)	28,818	37	38	28,893
Translation reserve	-	147	-	147	(3)	(96)	48
Reserve from share-based payment transactions	2,139	1,161	(1,605)	1,695	-	-	1,695
Retained earnings (accumulated deficit)	(17,179)	(4,602)	13,031	(8,750)	(117)	104	(8,763)
Total equity attributable to shareholders of the Company	11,574	3,805	6,531	21,910	(83)	46	21,873
Non-controlling interests	(11,805)	1,964	11,810	1,969	-	-	1,969
Total equity	(231)	5,769	18,341	23,879	(83)	46	23,842
Total equity and liabilities	$ 49	$ 15,852	$ 19,371	$ 35,272	$ 1,242	$ (1,290)	$ 35,224

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended June 30, 2019 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
Revenues	$ -	$ 4,269	$ -	$ 4,269	$ 197	$ (197)	$ 4,269
Cost of revenues	-	1,862	-	1,862	38	(36)	1,864
Gross profit (loss) before fair value adjustments	-	2,407	-	2,407	159	(161)	2,405
Fair value adjustments:							
Unrealized change in fair value of biological assets	-	2,989	-	2,989	-	-	2,989
Realized fair value adjustments on inventory sold in the period	-	(1,830)	-	(1,830)	-	-	(1,830)
Total fair value adjustments	-	1,159	-	1,159	-	-	1,159
Gross profit (loss)	-	3,566	-	3,566	159	(161)	3,564
General and administrative expenses	8	3,275	4,171	7,454	232	(186)	7,500
Selling and marketing expenses	-	591	-	591	21	(20)	592
Research and development expenses	-	139	-	139	-	-	139
Share-based payments		1,161		1,161	-	-	1,161
Total operating expenses	8	5,166	4,171	9,345	253	(206)	9,392
Operating profit (loss)	(8)	(1,600)	(4,171)	(5,779)	(94)	45	(5,828)
Finance expenses (income), net	-	5,026	-	5,026	89	(90)	5,025
Income (loss) before income taxes	(8)	(6,626)	(4,171)	(10,805)	(183)	135	(10,853)
Income tax expense (recovery)	-	571	-	571	1	(12)	560
Net Income (loss)	(8)	(7,197)	(4,171)	(11,376)	(184)	147	(11,413)

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended June 30, 2019 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:							
Re-measurement gain (loss) on defined benefit plans	-	-	-	-	-	-	-
Exchange differences on translation to presentation currency	-	131	-	131	-	-	131
Total comprehensive income (loss)	$ (8)	$ (7,066)	$ (4,171)	$ (11,245)	$ (184)	$ 147	$ (11,282)
Net income (loss) attributable to:							
Equity holders of the Company	(8)	(7,642)	(4,171)	(11,821)	(184)	147	(11,858)
Non-controlling interests	-	445	-	445	-	-	445
	$ (8)	$ (7,197)	$ (4,171)	$ (11,376)	$ (184)	$ 147	$ (11,413)
Total comprehensive income attributable to:							
Equity holders of the Company	(8)	(7,538)	(4,171)	(11,717)	(184)	147	(11,754)
Non-controlling interests	-	472	-	472	-	-	472
	$ (8)	$ (7,066)	$ (4,171)	$ (11,245)	$ (184)	$ 147	$ (11,282)

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the period ended June 30, 2019 (Unaudited)

Canadian Dollars in thousands

Note 1 - Background and basis of presentation

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a fully operational, vertically integrated medical cannabis business spearheaded by its distribution arm in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage IMC's brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece.

These unaudited pro forma consolidated financial statements have been prepared using accounting policies and practices consistent with those used in the preparation of IMC's recent consolidated financial statements, which are prepared under International Financial Reporting Standards ("IFRS"). In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the financial information of Navasota as of June 30, 2019 and the financial statements and notes thereto of IMC as of June 30, 2019. The unaudited pro-forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the continuing entity, IMC, which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited pro-forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The pro-forma adjustments and allocations of the purchase price of Navasota by IMC as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Navasota that exist as of the date of completion of the acquisition.

Note 2 - Navasota Combination Agreement

1) Description of Transaction

Under the terms of the Amended Combination Agreement, the Proposed Transaction will be completed by way of a triangular statutory merger under the laws of Israel, whereby Navasota Acquisition Ltd., a wholly owned Israeli subsidiary of Navasota, will merge with and into IMC, with IMC surviving as a wholly owned subsidiary of Navasota. In connection with the Proposed Transaction, Navasota will reconstitute its board of directors and change its name to "IM Cannabis Corp." or such other similar name as may be accepted by the relevant regulatory authorities (the "**Name Change**") and the Resulting Issuer will conduct its business under the new name.

The Amended Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals including the approval of the shareholders of IMC, the completion of the Financing (as defined below), the consolidation of Navasota's common shares on a 1:2.83 basis (the "**Consolidation**"), the issuance of post-Consolidation Navasota common shares to holders of IMC ordinary shares (the "**IMC Shares**") on a 10:1 basis, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction including, without limitation, the approval of the Israeli Registrar of Companies, and other closing conditions customary to transactions of the nature of the Proposed Transaction. The reconstitution of Navasota's board of directors, the Name Change and the Consolidation were previously approved by shareholders of Navasota at a special meeting of Navasota shareholders on November 12, 2018.

Note 2 - Navasota Combination Agreement (Cont.)

Navasota is a reporting issuer under the laws of the Provinces of British Columbia and Alberta whose common shares were voluntarily de-listed from the NEX board of the TSX Venture Exchange on June 18, 2018. Consequently, Navasota's common shares are currently not posted for trading on any marketplace. The Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "**CSE**") and if, and upon the satisfaction of the CSE's initial listing requirements, the common shares of the Resulting Issuer are expected to begin trading on the CSE following the closing of the Proposed Transaction.

Investors are cautioned that, except as disclosed in the management information circular or listing statement to be prepared in connection with the Proposed Transaction, any information released or received with respect to the Proposed Transaction may not be accurate or complete and should not be relied upon. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Pursuant to the terms of the Amended Combination Agreement, and in connection with the Proposed Transaction:

a. holders of IMC Shares will receive ten (10) fully paid and non-assessable post-Consolidation Resulting Issuer shares for each IMC Share held; and

b. all outstanding warrants, broker warrants and options to purchase IMC Shares will be exchanged on an equivalent basis for options, warrants and broker warrants to purchase common shares of the Resulting Issuer.

Subscription Receipt Financing

In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on August 29, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving effect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving effect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the period ended June 30, 2019 (Unaudited)

Canadian Dollars in thousands

Note 2 – Navasota Combination Agreement (Cont.)

The accompanying unaudited pro forma consolidated statement of financial position as of June 30, 2019, and statements of profit or loss and comprehensive income for the period ended June 30, 2019, of Navasota have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Navasota by IMC constituting a reverse takeover of IMC by the shareholders of Navasota (the "transaction").

2) Pro forma adjustments and assumptions

The unaudited pro-forma consolidated financial statements incorporates the following pro forma adjustments:

a) The acquisition of Navasota by IMC shareholders constitutes a reverse asset acquisition as Navasota does not meet the definition of a business, as defined in IFRS 3, Business Combinations. Accordingly, as a result of the transaction, the pro-forma consolidated statement of financial position has been adjusted for the elimination of Navasota's share capital, reserves and accumulated deficit within shareholders' equity (deficiency) in the aggregate amount of $11,574 and non-controlling interests in the amount of $(11,805).

b) As a result of this reverse asset acquisition, a listing expense of $4,171 has been recorded to reflect the difference between the estimated fair value of the IMC shares to the Navasota's shareholders less the net fair value (which approximate the carrying amount) of the assets of Navasota acquired.

c) The fair value of the shares considered issued to acquire Navasota under reverse takeover accounting is assumed to be approximately $3,927 for aggregate of 4,162,097 shares and warrants. The fair value per share is the issue price paid for IMC's common shares as part of the Financing.

d) The closing of the Financing of $20,000 in gross proceeds, pursuant to which, the Company issue 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving effect to a contemplated share split of 1:10), whereby each Subscription Receipt Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving effect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction, and assuming all of the condition precedents to the completion of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the period ended June 30, 2019 (Unaudited)

Canadian Dollars in thousands

Note 2 – Navasota Combination Agreement (Cont.)

Issuance costs were approximately $2,102 (include $1,476 payable to the Financing Agents upon closing of the Financing) and 1,199,326 compensation options (the "Compensation Options") issued to the Financing Agents. Each Compensation Option entitles the holder to acquire a Finco Unit at an exercise price of $1.30 for a period of 36 months following the closing date of the Financing. Upon closing of the Proposed Transaction, the Compensation Options will be exchanged for Resulting Issuer compensation options on economically equivalent terms on a 1:1 basis. Based on the Black-Scholes pricing model, the aggregate fair value of the Compensation options is $626, using the following assumptions:

Risk free interest rate	1.8%
Volatility	75%
Exercise price	$1.05
Dividend yield	-
Expected term	3 years

Note 3 - Adjupharm acquisition

1) Description of Transaction

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand ($1,400) paid in cash.

The accompanying unaudited pro forma consolidated statement of financial position as of June 30, 2019, and statements of profit or loss and comprehensive income for the period ended June 30, 2019, of IMC have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Adjupharm by IMC as if the acquisition occurred on January 1, 2019.

2) Pro forma adjustments and assumptions

The unaudited pro-forma consolidated financial statements incorporates the following main pro forma adjustments:

- Goodwill arising from the acquisition in the amount of approximately $548.
- Intangible assets arising from the acquisition in the amount of approximately $1,045, net of amortization expenses for the period ended June 30, 2019 of $88.

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NAVASOTA RESOURCES INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2018

(EXPRESSED IN CANADIAN DOLLARS IN THOUSANDS)

NAVASOTA RESOURCES INC.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2018

Canadian dollars in thousands

(Unaudited)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 (Unaudited)
Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 42	$ 7,591	$ 19,371	$ 27,004	$ 198	$ (1,376)	$ 25,826
Trade receivables	-	14	-	14	40	-	54
Other accounts receivable	10	444	-	454	15	-	469
Biological assets	-	89	-	89	-	-	89
Inventories	-	5,476	-	5,476	232	-	5,708
	52	13,614	19,371	33,037	485	(1,376)	32,146
NON-CURRENT ASSETS:							
Property, plant and equipment, net	-	1,073	-	1,073	732	-	1,805
Deferred tax assets	-	307	-	307	-	-	307
Intangible assets	-	-	-	-	45	888	933
Goodwill	-	-	-	-	32	510	542
	-	1,380	-	1,380	809	1,398	3,587
Total assets	$ 52	$ 14,994	$ 19,371	$ 34,417	$ 1,294	$ 22	$ 35,733

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
LIABILITIES AND EQUITY							
CURRENT LIABILITIES:							
Bank credit	$ -	$ -	$ -	$ -	$ 364	$ -	$ 364
Trade payables	-	609	-	609	123	-	732
Bank loan	-	-	-	-	661	-	661
Other accounts payable and accrued expenses	280	698	1,283	2,261	28	532	2,821
	280	1,307	1,283	2,870	1,176	532	4,578
NON-CURRENT LIABILITIES:							
Deferred tax liability	-	847	-	847	-	256	1,103
Warrants measured at fair value	-	1,053	-	1,053	-	-	1,053
Employee benefit liabilities, net	-	176	-	176	-	-	176
	-	2,076	-	2,076	-	256	2,332
Total liabilities	280	3,383	1,283	4,946	1,176	788	6,910
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:							
Share capital and premium	26,614	7,099	(5,225)	28,488	39	(39)	28,488
Translation reserve	-	43	-	43	4	(28)	19
Reserve from share-based payment transactions	2,138	-	(1,574)	564	-	8	572
Retained earnings (accumulated deficit)	(17,171)	3,040	13,078	(1,053)	75	(764)	(1,742)
Total equity attributable to shareholders of the Company	11,581	10,182	6,279	28,042	118	(823)	27,337
Non-controlling interests	(11,809)	1,429	11,809	1,429	-	57	1,486
Total equity	(228)	11,611	18,088	29,471	118	(766)	28,823
Total equity and liabilities	$ 52	$ 14,994	$ 19,371	$ 34,417	$ 1,294	$ 22	$ 35,733

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
Revenues	$ -	$ 5,197	$ -	$ 5,197	$ 737	$ -	$ 5,934
Cost of revenues	-	1,775	-	1,775	230	9	2,014
Gross profit (loss) before fair value adjustments	-	3,422	-	3,422	507	(9)	3,920
Fair value adjustments:							
Unrealized change in fair value of biological assets	-	4,373	-	4,373	-	-	4,373
Realized fair value adjustments on inventory sold in the period	-	(1,599)	-	(1,599)	-	-	(1,599)
Total fair value adjustments	-	2,774	-	2,774	-	-	2,774
Gross profit (loss)	-	6,196	-	6,196	507	(9)	6,694
General and administrative expenses	162	2,520	4,121	6,803	518	781	8,102
Selling and marketing expenses	-	510	-	510	-	-	510
Research and development expenses	-	83	-	83	-	-	83
Total operating expenses	162	3,113	4,121	7,396	518	781	8,695
Operating profit (loss)	(162)	3,083	(4,121)	(1,200)	(11)	(790)	(2,001)
Finance expenses (income), net	-	(285)	-	(285)	51	-	(234)
Income (loss) before income taxes	(162)	3,368	(4,121)	(915)	(62)	(790)	(1,767)
Income tax expense (recovery)	-	741	-	741	(1)	(45)	695
Net Income (loss)	(162)	2,627	(4,121)	(1,656)	(61)	(745)	(2,462)

PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

	Navasota	IMC Holdings	Proforma Adjustments	Proforma Consolidated	Adjupharm	Pro Forma Acquisition Adjustments	Proforma Combined
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:							
Re-measurement gain (loss) on defined benefit plans	-	57	-	57	-	-	57
Exchange differences on translation to presentation currency	-	31	-	31	-	-	31
Total comprehensive income (loss)	$ (162)	$ 2,715	$ (4,121)	$ (1,568)	$ (61)	$ (745)	$ (2,374)
Net income (loss) attributable to:							
Equity holders of the Company	(162)	1,683	(4,121)	(2,600)	(61)	(745)	(3,406)
Non-controlling interests	-	944	-	944	-	-	944
	$ (162)	$ 2,627	$ (4,121)	$ (1,656)	$ (61)	$ (745)	$ (2,462)
Total comprehensive income attributable to:							
Equity holders of the Company	(162)	1,753	(4,121)	(2,530)	(61)	(745)	(3,336)
Non-controlling interests	-	962	-	962	-	-	962
	$ (162)	$ 2,715	$ (4,121)	$ (1,568)	$ (61)	$ (745)	$ (2,374)

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

Note 1 - Background and basis of presentation

IMC is an international medical cannabis company, and a well-known Israeli brand of medical cannabis products. In Europe, IMC is establishing a fully operational, vertically integrated medical cannabis business spearheaded by its distribution arm in Germany and augmented by strategic agreements with certified EU-GMP Standard suppliers, making it one of the only medical cannabis companies with fully integrated operations in Europe. IMC intends to leverage IMC's brand to establish a foothold in emerging medical cannabis markets including Germany, Portugal and Greece.

These unaudited pro forma consolidated financial statements have been prepared using accounting policies and practices consistent with those used in the preparation of IMC's recent consolidated financial statements, which are prepared under International Financial Reporting Standards ("IFRS"). In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the financial information of Navasota as of December 31, 2018 and the financial statements and notes thereto of IMC as of December 31, 2018. The unaudited pro-forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the continuing entity, IMC, which would have actually resulted had the proposed transactions been effected on the dates indicated. Further, the unaudited pro-forma financial information is not necessarily indicative of the results of operations that may be obtained in the future. The pro-forma adjustments and allocations of the purchase price of Navasota by IMC as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Navasota that exist as of the date of completion of the acquisition.

Note 2 - Navasota Combination Agreement

1) Description of Transaction

Under the terms of the Amended Combination Agreement, the Proposed Transaction will be completed by way of a triangular statutory merger under the laws of Israel, whereby Navasota Acquisition Ltd., a wholly owned Israeli subsidiary of Navasota, will merge with and into IMC, with IMC surviving as a wholly owned subsidiary of Navasota. In connection with the Proposed Transaction, Navasota will reconstitute its board of directors and change its name to "IM Cannabis Corp." or such other similar name as may be accepted by the relevant regulatory authorities (the "**Name Change**") and the Resulting Issuer will conduct its business under the new name.

The Amended Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals including the approval of the shareholders of IMC, the completion of the Financing (as defined below), the consolidation of Navasota's common shares on a 1:2.83 basis (the "**Consolidation**"), the issuance of post-Consolidation Navasota common shares to holders of IMC ordinary shares (the "**IMC Shares**") on a 10:1 basis, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction including, without limitation, the approval of the Israeli Registrar of Companies, and other closing conditions customary to transactions of the nature of the Proposed Transaction. The reconstitution of Navasota's board of directors, the Name Change and the Consolidation were previously approved by shareholders of Navasota at a special meeting of Navasota shareholders on November 12, 2018.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

Note 2 - Navasota Combination Agreement (Cont.)

Navasota is a reporting issuer under the laws of the Provinces of British Columbia and Alberta whose common shares were voluntarily de-listed from the NEX board of the TSX Venture Exchange on June 18, 2018. Consequently, Navasota's common shares are currently not posted for trading on any marketplace. The Resulting Issuer will apply to list its common shares on the Canadian Securities Exchange (the "**CSE**") and if, and upon the satisfaction of the CSE's initial listing requirements, the common shares of the Resulting Issuer are expected to begin trading on the CSE following the closing of the Proposed Transaction.

Investors are cautioned that, except as disclosed in the management information circular or listing statement to be prepared in connection with the Proposed Transaction, any information released or received with respect to the Proposed Transaction may not be accurate or complete and should not be relied upon. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Pursuant to the terms of the Amended Combination Agreement, and in connection with the Proposed Transaction:

a. holders of IMC Shares will receive ten (10) fully paid and non-assessable post-Consolidation Resulting Issuer shares for each IMC Share held; and

b. all outstanding warrants, broker warrants and options to purchase IMC Shares will be exchanged on an equivalent basis for options, warrants and broker warrants to purchase common shares of the Resulting Issuer.

Subscription Receipt Financing

In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on August 29, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

Note 2 – Navasota Combination Agreement (Cont.)

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

The accompanying unaudited pro forma consolidated statement of financial position as of December 31, 2018, and statements of profit or loss and comprehensive income for the year ended December 31, 2018, of Navasota have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Navasota by IMC constituting a reverse takeover of IMC by the shareholders of Navasota (the "transaction").

2) Pro forma adjustments and assumptions

The unaudited pro-forma consolidated financial statements incorporates the following pro forma adjustments:

a) The acquisition of Navasota by IMC shareholders constitutes a reverse asset acquisition as Navasota does not meet the definition of a business, as defined in IFRS 3, Business Combinations. Accordingly, as a result of the transaction, the pro-forma consolidated statement of financial position has been adjusted for the elimination of Navasota's share capital, reserves and accumulated deficit within shareholders' equity (deficiency) in the aggregate amount of $11,581 and non-controlling interests in the amount of $(11,809).

b) As a result of this reverse asset acquisition, a listing expense of $4,121 has been recorded to reflect the difference between the estimated fair value of the IMC shares to the Navasota's shareholders less the net fair value (which approximate the carrying amount) of the assets of Navasota acquired.

c) The fair value of the shares considered issued to acquire Navasota under reverse takeover accounting is assumed to be approximately $3,893 for aggregate of 4,162,097 shares and warrants. The fair value per share is the issue price paid for IMC's common shares as part of the Financing.

d) The closing of the Financing of $20,000 in gross proceeds, pursuant to which, the Company issue 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving effect to a contemplated share split of 1:10), whereby each Subscription Receipt Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving effect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction, and assuming all of the condition precedents to the completion of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018 (Unaudited)

Canadian Dollars in thousands

Note 2 – Navasota Combination Agreement (Cont.)

Issuance costs were approximately $1,914 (include $1,476 payable to the Financing Agents upon closing of the Financing) and 1,199,326 compensation options (the "Compensation Options") issued to the Financing Agents. Each Compensation Option entitles the holder to acquire a Finco Unit at an exercise price of $1.30 for a period of 36 months following the closing date of the Financing. Upon closing of the Proposed Transaction, the Compensation Options will be exchanged for Resulting Issuer compensation options on economically equivalent terms on a 1:1 basis. Based on the Black-Scholes pricing model, the aggregate fair value of the Compensation options is $626, using the following assumptions:

Risk free interest rate	1.8%
Volatility	75%
Exercise price	$1.05
Dividend yield	-
Expected term	3 years

Note 3 - Adjupharm acquisition

1) Description of Transaction

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand ($1,400) paid in cash.

The accompanying unaudited pro forma consolidated statement of financial position as of December 31, 2018, and statements of profit or loss and comprehensive income for the year ended December 31, 2018, of IMC have been prepared by management for illustrative purposes only, to show the effect of the proposed acquisition of Adjupharm by IMC as if the acquisition occurred on January 1, 2018.

2) Pro forma adjustments and assumptions

The unaudited pro-forma consolidated financial statements incorporates the following main pro forma adjustments:

- Goodwill arising from the acquisition in the amount of approximately $510.
- Intangible assets arising from the acquisition in the amount of approximately $888, net of amortization expenses for the year ended December 31, 2018 of $200.
- Acquisition related expenses in the amount of $104.
- Bonus expenses and equity compensation payable to the Adjupahrm's CEO in the amount of $419.

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APPENDIX C

FINANCIAL STATEMENTS OF IMC

IMC HOLDINGS LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019

(Unaudited)

IMC HOLDINGS LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2019

Canadian dollars in thousands

(Unaudited)

INDEX

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 3,059	$ 7,591
Trade receivables		217	14
Other accounts receivable		402	444
Biological assets	4	58	89
Inventories	5	7,148	5,476
		10,884	13,614
NON-CURRENT ASSETS:			
Property, plant and equipment, net		2,061	1,073
Right-of-use assets, net	2d	974	-
Deferred tax assets		292	307
Intangible assets, net	3	1,093	-
Goodwill	3	548	-
		4,968	1,380
Total assets		$ 15,852	$ 14,994

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	June 30, 2019 (Unaudited)	December 31, 2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of lease liabilities	2d	120	-
Trade payables		423	609
Other accounts payable and accrued expenses		1,217	698
		1,760	1,307
NON-CURRENT LIABILITIES:			
Lease liabilities	2d	873	-
Deferred tax liability		1,433	847
Warrants measured at fair value		5,784	1,053
Employee benefit liabilities, net		233	176
		8,323	2,076
Total liabilities		10,083	3,383
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	8		
Share capital and premium		7,099	7,099
Translation reserve		147	43
Reserve from share-based payment transactions		1,161	-
Retained earnings (accumulated deficit)		(4,602)	3,040
Total equity attributable to equity holders of the Company		3,805	10,182
Non-controlling interests		1,964	1,429
Total equity		5,769	11,611
Total liabilities and equity		$ 15,852	$ 14,994

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

Canadian dollars in thousands, except per share data

	Note	Six months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2019	Three months ended June 30, 2018
Revenues		4,269	2,382	2,314	1,277
Cost of revenues		1,862	1,360	690	760
Gross profit before fair value adjustments		2,407	1,022	1,624	517
Fair value adjustments:					
Unrealized change in fair value of biological assets		2,989	2,034	1,250	881
Realized fair value adjustments on inventory sold in the period		(1830)	(1,893)	(610)	(1,434)
Total fair value adjustments		1,159	141	640	553
Gross profit (loss)		3,566	1,163	2,264	(36)
General and administrative expenses		3,275	650	1,535	353
Selling and marketing expenses		591	203	327	112
Research and development expenses		139	-	85	-
Share-based compensation		1,161	-	612	-
Total operating expenses		5,166	853	2,559	465
Operating profit (loss)	9	(1,600)	310	(295)	(501)
Finance income		(296)	(310)	(284)	(310)
Finance expense		5,322	395	223	394
Finance expenses (income), net		5,026	85	(61)	84
Income (loss) before income taxes		(6,626)	225	(234)	(585)
Income tax expense (benefit)		571	(280)	376	(375)
Net loss		(7,197)	(55)	(610)	(960)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Re-measurement gain on defined benefit plans		-	16	-	1
Exchange differences on translation to presentation currency		131	20	29	(56)
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		131	36	29	(55)
Total comprehensive income (loss)		$ (7,066)	$ (19)	$ (581)	$ (1,015)
Net income (loss) attributable to:					
Equity holders of the Company		(7,642)	(128)	(935)	(782)
Non-controlling interests		445	73	325	(178)
		$ (7,197)	$ (55)	$ (610)	$ (960)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		(7,538)	(93)	(908)	(838)
Non-controlling interests		472	74	327	(177)
		$ (7,066)	$ (19)	$ 581	$ (1,015)
Net Loss per share attributable to equity holders of the Company:					
Basic and diluted net loss per share (in CAD):	10	$ (0.64)	$ (0.01)	$ (0.08)	$ (0.08)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Canadian Dollars in thousands

	Attributable to equity holders of the Company								
	Share capital	Share premium	Receivables on account of shares	Reserve from share-based payment transactions	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
For the six months ended June 30, 2019									
Balance as of January 1, 2019	$ 45	$ 7,054	$ -	$ -	$ 43	$ 3,040	$ 10,182	$ 1,429	$ 11,611
Share based compensation	-	-	-	1,161	-	-	1,161	-	1,161
Share based compensation of subsidiary (Note 3)	-	-	-	-	-	-	-	63	63
Net loss	-	-	-	-	-	(7,642)	(7,642)	445	(7,197)
Other comprehensive income (loss)	-	-	-	-	104	-	104	27	131
Balance as of June 30, 2019	$ 45	$ 7,054	-	$ 1,161	$ 147	$ (4,602)	$ 3,805	$ 1,964	$ 5,769
For the six months ended June 30, 2018									
Balance as of January 1, 2018	(*	(*	-	-	15	1,315	1,330	467	1,797
Issue of share capital, net of issuance cost of $751	45	7,054	(2,768)	-	-	-	4,331	-	4,331
Net loss	-	-	-	-	-	(128)	(128)	73	(55)
Other comprehensive loss	-	-	-	-	23	12	35	1	36
Balance as of June 30, 2018	$ 45	$ 7,054	$ (2,768)	$ -	$ 38	$ 1,199	$ 5,568	$ 541	$ 6,109

*) Represents an amount of less than $1.

The accompanying notes are an integral part of interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash provided by (used in) operating activities:		
Net loss for the period	$ (7,197)	$ (55)
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(2,989)	(2,034)
Fair value adjustment on sale of inventory	1,830	1,893
Fair value adjustment on warrants measured at fair value	4,731	651
Depreciation of property, plant and equipment	133	68
Amortization of intangible assets	49	-
Depreciation of right-of-use assets	24	-
Share-based payment	1,161	-
Changes in employee benefit liabilities, net	20	18
Deferred tax benefit, net	291	58
	5,250	654
Changes in working capital:		
Increase in trade receivables, net	(166)	(27)
Decrease in other accounts receivable	78	576
Decrease in biological assets, net of fair value adjustments	3,021	2,033
Increase in inventories, net of fair value adjustments	(3,225)	(2,079)
Increase (decrease) in trade payables	(277)	461
Increase in other accounts payable and accrued expenses	594	(664)
	25	300
Taxes paid	(126)	(42)
Net cash provided by (used in) operating activities	(2,048)	857
Cash flows from investing activities:		
Purchase of property, plant and equipment	(410)	(500)
Acquisition of subsidiary (schedule A)	(1,316)	-
Net cash used in investing activities	$ (1,726)	$ (500)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flow from financing activities:		
Proceeds from issuance of share capital, net of issuance costs	$ -	$ 4,331
Proceeds from issuance of warrants measured at fair value	-	761
Repayment of lease liability	(16)	-
Repayment of lease liability interest	(29)	-
Repayment of bank loan	(621)	-
Net cash used in financing activities	(666)	5,092
Effect of foreign exchange on cash and cash equivalents	(92)	(16)
Increase (decrease) in cash and cash equivalents	(4,532)	5,433
Cash and cash equivalents at beginning of the period	7,591	239
Cash and cash equivalents at end of the period	$ 3,059	$ 5,672

Schedule A – Acquisition of a subsidiary:

The subsidiary's assets and liabilities at date of acquisition:

Working capital deficit (excluding cash and cash equivalents)	$ 166
Bank credit	(321)
Bank loan	(624)
Property, plant and equipment	702
Intangible assets	1,149
Goodwill	552
Deferred tax liability	(308)
	$ 1,316

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL

a. Nature of Operations:

IMC Holdings Ltd. (the "Company" or "IMC") operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

On February 20, 2019, IMC established IMC - International Medical Cannabis Portugal Unipessoal Lda., a 100% owned subsidiary aimed at obtaining a license to cultivate medical cannabis in Portugal.

The Company and its subsidiaries (the "Group") operates in one reporting segment. For all reporting periods presented, the revenues of the Group were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

b. Approval of Interim Condensed Consolidated Financial Statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the board of directors on September 5, 2019.

c. Business combination:

On March 15, 2019, IMC acquired Adjupharm GmbH (“Adjupharm”), incorporated in Germany, a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm’s issued and outstanding shares. See Note 3.

d. Definitions:

In these financial statements:

The Company, or IMC	-	IMC Holdings Ltd.
The Group	-	IMC Holdings Ltd. and its Subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
CAD or $	-	Canadian Dollar.
EURO or €	-	Euro

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation and Measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies (except as described below), critical estimates and methods described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2(c).

Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2018, including the accompanying notes thereto.

Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2018, including the accompanying notes thereto.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Significant Accounting Judgements, Estimates and Assumptions:

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

c. Leases:

As detailed in paragraph d below regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company chose to adopt the provisions of the Standard using the modified retrospective approach (without restatement of comparative figures).

Policy applicable before January 1, 2019:

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a leases based on the assessment of whether:

- Fulfilment of the arrangements was dependent on the use of a specific asset or assets; and

- The arrangement had conveyed the right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

    * The arrangement had conveyed a right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

    * The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

    * Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price unit of output.

Policy applicable from January 1, 2019:

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset, for a fixed period of time, in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Company assesses whether:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    * The Company has the right to operate the asset; or
    * The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on assessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable under a residual value guarantee;

- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and penalties for early termination of the lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under the residual value guarantee, or if the Company changes its assessment of whether it will exercise purchase, extension or termination options.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments

associated with these leases as an expense on a straight-line basis over the lease term.

The Company leases assets which mainly include land, buildings and motor-vehicles.

d. New or Amended Standards Effective January 1, 2019:

IFRS 16, "Leases"

The Company adopted IFRS 16, "Leases" (the "Standard"), commencing from January 1, 2019, using the modified retrospective approach.

According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a fixed period in exchange for consideration.

The principal effects of the Standard are as follows:

- According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or usage are recognized as an expense by the lessees as incurred or recognized as income by the lessors as earned.

- In the event of changes in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

As permitted by the Standard, the Company elected to adopt the Standard using the modified retrospective approach and measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the Standard is measured using the Company's incremental borrowing rate of interest on the date of initial adoption of the Standard. The right-of-use asset is recognized in an amount equal to the recognized liability.

The principal effects of the initial application of the Standard are in respect of existing lease contracts in which the Company is the lessee. According to the Standard, excluding certain exceptions, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee. This accounting treatment is different than the accounting treatment applied under IAS 17 according to which lease payments in respect of leases contracts for which substantially all the risks and rewards incidental to ownership of the underlying asset are not transferred to the lessee are recognized in profit or loss on a straight-line basis over the lease term.

1. Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

As of January 1, 2019:	**According to the previous accounting policy**	**Change**	**As presented according to IFRS 16**
Non-current assets:			
Right-of-use assets	$ -	777	$ 777
Current liabilities:			
Current maturity of lease liabilities	$ -	42	$ 42
Non-current liabilities:			
Lease liabilities	$ -	735	$ 735

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. A weighted average of incremental interest rate of 6.6% (denominated operating lease agreement) was used to discount future lease payments in the calculation of the lease liabilities on the date of initial application of the Standard.

3. Reconciliation of total commitment for future minimum lease payments as disclosed in Note 13 to the annual financial statements as of December 31, 2018, to the lease liability as of January 1, 2019:

	January 1, 2019
Total undiscounted future minimum lease payments for non-cancellable leases as per IAS 17, according to the financial statements as of December 31, 2018	$ 1,104
Effect of discount of future lease payments at the Company's incremental interest rate on initial date of application	(327)
Total lease liabilities as per IFRS 16 at January 1, 2019	$ 777

4. Practical expedients applied in the initial application of the Standard:

   - The Company elected not to reassess, based on the principles in the Standard, whether contracts are or contain a lease, and instead continued to classify contracts as leases that were previously identified as leases under IAS 17.

   - The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The initial application of the interpretation did not have an impact on the interim condensed consolidated financial statements of the Company.

Canadian Dollars in thousands, except share and per share data

NOTE 3:- BUSINESS COMBINATIONS

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand ($1,400) paid in cash.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date.

The fair value of the identifiable assets acquired and liabilities assumed of Adjupharm on the acquisition date (provisional measurement):

	Fair value
Assets	
Cash and cash equivalents	84
Trade and other receivables	70
Inventories	224
Property, plant and equipment	702
Intangible assets	1,149
Total identifiable assets	2,229
Liabilities	
Bank credit	(321)
Trade payables	(84)
Other payables	(44)
Bank loan	(624)
Deferred tax	(308)
Total identifiable liabilities	(1,381)
Total identifiable assets, net	848
Goodwill arising on acquisition	552
Total purchase cost	$ 1,400

Acquisition costs that are directly attributable to the transaction of approximately $104 were recorded in profit or loss.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

As part of the acquisition, the Company agreed to either (i) arrange for the release of the security provided by the sellers for the bank loan and bank credit of Adjupharm in the amount of €680 thousand ($1,026) or (2) repay the aforementioned bank loan and bank credit. In that connection, the Company deposited €720 thousand (approximately $1,090) in escrow (restricted cash) to secure the Company's aforementioned obligation. During the three-months period ended June 30, 2019, the funds in escrow were used to repay the bank loan and bank credit.

Cash outflow/inflow on the acquisition:

	CAD in thousands
Cash and cash equivalents acquired with the acquiree at the acquisition date	$ 84
Cash paid	1,400
Net cash	$ 1,316

From the acquisition date, and if the business combination had taken place at the beginning of the year, Adjupharm's results of operations (i.e., net loss and revenues) were immaterial to the consolidated net loss and consolidated revenues.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares. As a result, the Company recorded an expense in the amount of $63. In addition, Adjupharm's CEO was granted with restricted shares representing 4.99% of the Adjupharm's Ordinary shares, of which, 2.5% and 2.48% shall vest on March 1, 2020 and 2021, respectively, provided Adjupharm's CEO is employed as CEO in each of the respective vesting dates.

NOTE 4:- BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2019	$	89
Production costs capitalized		587
Changes in fair value less cost to sell due to biological transformation		2,989
Transferred to inventory upon harvest		(3,608)
Foreign exchange translation		1
Balance at June 30, 2019	$	58

As of June 30, 2019, and December 31, 2018, the weighted average fair value less cost to sell was $2.66 and $2.17 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

The following inputs and assumptions were used in determining the fair value of biological assets:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.
2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.
3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets:

	June 30, 2019	December 31, 2018	10% change as at June 30, 2019	10% change as at December 31, 2018
			CAD in thousands	
Average selling price per gram of dried cannabis (in CAD)	$ 3.18	$ 2.61	$ 6.9	$ 10.7
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 0.52	$ 0.44	$ 1.1	$ 1.8
Attrition rate	2%	0%	$ 0.1	$ 8.9
Average yield per plant (in grams)	150	40	$ 5.8	$ 8.9
Average stage of growth	6%	37%	$ 5.8	$ 8.9

The Company's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

Canadian Dollars in thousands, except share and per share data

NOTE 5:- INVENTORIES

The following is a breakdown of inventory at June 30, 2019:

	June 30, 2019		
	Capitalized costs	**Fair valuation adjustment**	**Carrying value**
Finished goods:			
Packaged dried cannabis	2,015	4,882	6,897
Cigarettes	8	19	27
Cannabis oil	2	-	2
Other Inventory	222	-	222
Balance as at June 30, 2019	$ 2,247	$ 4,901	$ 7,148

The following is a breakdown of inventory at December 31, 2018:

	December 31, 2018		
	Capitalized costs	**Fair valuation adjustment**	**Carrying value**
Work in progress:			
Bulk cannabis	$ 320	$ 685	$ 1,005
Finished goods			
Packaged dried cannabis	1,455	2,965	4,420
Cigarettes	16	32	48
Cannabis oil	3	-	3
Balance as at December 31, 2018	$ 1,794	$ 3,682	$ 5,476

During the three and six months ended June 30, 2019, inventory expensed to cost of goods sold was 1,300 and 3,692 (three and six months ended June 30, 2018 - 2,194 and 3,253) respectively, which included 610 and 1,830 (three and six months ended June 30, 2018 - 1,434 and 1,893) of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in six months period ended June 30, 2019 and 2018, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

NOTE 6:- FINANCIAL INSTRUMENTS

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

	Fair Value Method
Financial Instruments Measured at Fair Value	
Warrants *)	Black & Scholes model
Financial Instruments Measured at Amortized Cost	
Cash and cash equivalents, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Bank credit and loan, trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

*) The fair value of Warrants is categorized within Level 3 of the fair value hierarchy.

NOTE 6:- FINANCIAL INSTRUMENTS (Cont.)

The fair value was measured using the following key assumptions:

	June 30, 2019	December 31, 2018	Sensitivity
Risk-free interest rate	1.66%	1.82%	Increase (decrease) in key assumptions would result increase (decrease) in fair value.
Expected volatility	71.6%	75%	
Expected life (in years)	0.95	1.45	
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	$ 4.55	$ 0.82	
Total Warrants (Canadian Dollar in thousands)	$ 5,784	$ 1,053	

NOTE 7:- CONTINGENT LIABILITES

Legal proceeding:

Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.

The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($47,945).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018, the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable (more likely than not) that the motion for a class action against the Company will be approved. Therefore, an accrual in respect of this litigation is not required to be recorded in the financial statements.

Canadian Dollars in thousands, except share and per share data

NOTE 7:- CONTINGENT LIABILITES (Cont.)

Class Action T.Z. 35676-08-19

On August 19, 2019, a motion was filed for approval of a class action (the "Motion") against 17 companies (the "Companies") operating in the field of medical cannabis in Israel, including Focus. The applicant's argument is that Companies did not accurately mark the concentration of active ingredients in their products. The personal suit sum for every class member stands at NIS 15,585 ($5.7); the total amount of the class action suit is estimated at NIS 686 million ($249,000).

At this preliminary stage, Company's management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

NOTE 8:- EQUITY

Share option plan:

On December 19, 2018, the Board of Directors approved the “2018 Share Incentive Plan” (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together “Awards”), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 1,225,000 Ordinary Shares are reserved for issuance.

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of three years from the applicable vesting commencement date, such that 33.33% of the awards vest on the first anniversary of the applicable vesting commencement date and 66.67% of the awards vest on quarterly equal installments over 8 quarters as of the first anniversary of the Commencement Date. Subject to the discretion of the 2018 Plan, if an award has not been exercised within ten years after the date of the grant, the award expires.

As of June 30, 2019, 63,000 Ordinary Shares are available for future grant under the 2018 Plan.

The fair value for options granted during the six months ended June 30, 2019, to the Group's employees was estimated using the Black & Scholes option pricing model with the following assumptions:

Exercise price (in CAD)	4
Dividend yield (%)	-
Expected life of share options (Years)	5.5-6.51
Volatility (%)	82.5
Annual risk-free rate (%)	1.87-1.91

The weighted average fair value of each option on the grant date amounted to $2.53.

Canadian Dollars in thousands, except share and per share data

NOTE 8:- EQUITY (Cont.)

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	June 30, 2019	
	Number of options	Weighted average exercise price in CAD
Options outstanding at the beginning of the period	-	$ -
Options granted during the period *)	1,162,000	4.00
Options exercised during the period	-	-
Options forfeited during the period	-	-
Options outstanding at the end of period	1,162,000	$ 4.00
Options exercisable at the end of period	-	$ -

*) Includes 425,000 options granted to key management personnel.

The weighted average remaining contractual life for the share options outstanding as of June 30, 2019, was 9.45 years.

The share-based payment expenses for the six months period ended June 30, 2019 and 2018, amounted to $1,161 and nil, respectively.

NOTE 9:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Salaries and related expenses	$ 2,034	$ 641	$ 1,274	$ 326
Professional fees	$ 689	$ 349	$ 448	$ 172
Depreciation and amortization	$ 262	$ 93	$ 168	$ 59

NOTE 10:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Six months ended June 30,			
	2019		2018	
	Weighted average number of shares	Net loss attributable to equity holders of the Company	Weighted average number of shares	Net loss attributable to equity holders of the Company
For the computation of basic net earnings	12,283	$ (7,642)	10,044	$ (128)
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	12,283	$ (7,642)	10,044	$ (128)

NOTE 11:- SUBSEQUENT EVENTS

In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on 29 August, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a “Subscription Receipt”) of a wholly owned subsidiary of Navasota (“Finco”) at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the “Financing”). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a “Finco Unit”) with each Finco Unit being comprised of one (1) common share of Finco (a “Finco Share”) and one-half (1/2) of one (1) common share purchase warrant of Finco (a “Finco Warrant”). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

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IMC HOLDINGS LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2019

(Unaudited)

IMC HOLDINGS LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2019

Canadian dollars in thousands

(Unaudited)

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 4,515	$ 7,591
Restricted cash		1,090	-
Trade receivables		125	14
Other accounts receivable		519	444
Biological assets	4	1,945	89
Inventories	5	4,260	5,476
		12,454	13,614
NON-CURRENT ASSETS:			
Property, plant and equipment, net		1,936	1,073
Right-of-use assets, net	2d	951	-
Deferred tax assets		294	307
Intangible assets, net	3	1,149	-
Goodwill	3	552	-
		4,882	1,380
Total assets		$ 17,336	$ 14,994

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	March 31, 2019 (Unaudited)	December 31, 2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Bank credit		321	-
Current maturities of lease liabilities	2d	109	-
Trade payables		770	609
Bank loan		624	-
Other accounts payable and accrued expenses		1,340	698
		3,164	1,307
NON-CURRENT LIABILITIES:			
Lease liabilities	2d	850	-
Deferred tax liability		1,307	847
Warrants measured at fair value		6,070	1,053
Employee benefit liabilities, net		208	176
		8,435	2,076
Total liabilities		11,599	3,383
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	8		
Share capital and premium		7,099	7,099
Translation reserve		107	43
Reserve from share-based payment transactions		549	-
Retained earnings (accumulated deficit)		(3,687)	3,040
Total equity attributable to equity holders of the Company		4,068	10,182
Non-controlling interests		1,669	1,429
Total equity		5,737	11,611
Total liabilities and equity		$ 17,336	$ 14,994

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

U.S. dollars in thousands, except per share data

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenues		$ 1,955	$ 1,105
Cost of revenues		1,172	600
Gross profit before fair value adjustments		783	505
Fair value adjustments:			
Unrealized change in fair value of biological assets		1,739	1,152
Realized fair value adjustments on inventory sold in the period		(1,220)	(458)
Total fair value adjustments		519	694
Gross profit		1,302	1,199
General and administrative expenses		1,742	295
Selling and marketing expenses		265	92
Research and development expenses		54	-
Share-based compensation		549	-
Total operating expenses		2,610	387
Operating profit (loss)	9	(1,308)	812
Finance income		11	-
Finance expense		(5,099)	(1)
Finance expenses, net		(5,088)	(1)
Income (loss) before income taxes		(6,396)	811
Income tax expense (benefit)		195	(95)
Net income (loss)		(6,591)	906
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Re- measurement gain on defined benefit plans		-	15
Exchange differences on translation to presentation currency		107	76
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		107	91
Total comprehensive income (loss)		$ (6,484)	$ 997
Net income (loss) attributable to:			
Equity holders of the Company		(6,727)	664
Non-controlling interests		136	242
		$ (6,591)	$ 906
Total comprehensive income (loss) attributable to:			
Equity holders of the Company		(6,663)	746
Non-controlling interests		179	251
		$ (6,484)	$ 997
Net income (loss) per share attributable to equity holders of the Company			
Basic and diluted net income (loss) per share (in CAD):	10	$ (0.56)	$ 0.07

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Canadian Dollars in thousands

	Attributable to equity holders of the Company							
	Share capital	Share premium	Reserve from share-based payment transactions	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019	$ 45	$ 7,054	$ -	$ 43	$ 3,040	$ 10,182	$ 1,429	$ 11,611
Share based payment	-	-	549	-	-	549	-	549
Share based compensation of subsidiary (see Note 3)	-	-	-	-	-	-	61	61
Net loss	-	-	-	-	(6,727)	(6,727)	136	(6,591)
Other comprehensive income (loss)	-	-	-	64	-	64	43	107
Balance as of March 31, 2019	45	7,054	549	107	(3,687)	4,068	1,669	5,737
Balance as of January 1, 2018	(*	(*	-	15	1,315	1,330	467	1,797
Issue of share capital	35	(35)	-	-	-	-	-	-
Net loss	-	-	-	-	664	664	242	906
Other comprehensive loss	-	-	-	71	11	82	9	91
Balance as of March 31, 2018	$ 35	$ (35)	$ -	$ 86	$ 1,990	$ 2,076	$ 718	$ 2,794

*) Represents an amount of less than $1.

The accompanying notes are an integral part of interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash provided by (used in) operating activities:		
Net income (loss) for the period	$ (6,591)	$ 906
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(1,739)	(1,152)
Fair value adjustment on sale of inventory	1,220	458
Fair value adjustment on warrants measured at fair value	4,933	-
Depreciation of property, plant and equipment	54	35
Depreciation of right-of-use assets	24	-
Share-based payment	607	-
Changes in employee benefit liabilities, net	(6)	38
Deferred tax benefit, net	136	(146)
	5,229	(767)
Changes in working capital:		
Increase in trade receivables, net	(72)	(9)
Decrease (increase) in other accounts receivable	(87)	863
Increase in biological assets, net of fair value adjustments	(91)	(273)
Decrease in inventories, net of fair value adjustments	294	237
Increase in trade payables	67	386
Increase (decrease) in other accounts payable and accrued expenses	620	(893)
	731	311
Taxes paid	(42)	(42)
Net cash used in (provided by) operating activities	(675)	408
Cash flows from investing activities:		
Purchase of property, plant and equipment	(194)	(449)
Acquisition of subsidiary (schedule A)	(1,316)	-
Increase in restricted cash	(1,077)	-
Net cash used in investing activities	$ (2,587)	$ (449)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Canadian Dollars in thousands

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash flow from financing activities:		
Repayment of lease liability	(28)	-
Interest paid - lease liability	(20)	-
Net cash used in financing activities	(48)	-
Effect of foreign exchange on cash and cash equivalents	234	3
Increase in cash and cash equivalents	(3,076)	(38)
Cash and cash equivalents at beginning of the period	7,591	239
Cash and cash equivalents at end of the period	$ 4,515	$ 201

Schedule A – Acquisition of a subsidiary:

The subsidiary's assets and liabilities at date of acquisition:

Working capital deficit (excluding cash and cash equivalents)	$ 166
Bank credit	(321)
Bank loan	(624)
Property, plant and equipment	702
Intangible assets	1,149
Goodwill	552
Deferred tax liability	(308)
	1,316

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Canadian Dollars in thousands, except share and per share data

NOTE 1:- GENERAL

a. Nature of Operations:

IMC Holdings Ltd. (the "Company" or "IMC") operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

On February 20, 2019, IMC established IMC - International Medical Cannabis Portugal Unipessoal Lda., a 100% owned subsidiary aimed at obtaining a license to cultivate medical cannabis in Portugal.

The Company and its subsidiaries (the "Group") operates in one reporting segment. For all reporting periods presented, the revenues of the Group were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

b. Approval of Interim Condensed Consolidated Financial Statements:

These interim condensed consolidated financial statements of the Company were authorized for issue by the board of directors on September 5, 2019.

c. Business combination:

On March 15, 2019, IMC acquired Adjupharm GmbH (“Adjupharm”), incorporated in Germany, a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm’s issued and outstanding shares. See Note 3.

d. Definitions:

In these financial statements:

The Company, or IMC	-	IMC Holdings Ltd.
The Group	-	IMC Holdings Ltd. and its Subsidiaries.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
CAD or $	-	Canadian Dollar.
EURO or €	-	Euro

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation and Measurement:

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

The interim condensed consolidated financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies (except as described below), critical estimates and methods described in the Company's annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2(c).

Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2018, including the accompanying notes thereto.

b. Significant Accounting Judgements, Estimates and Assumptions:

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

c. Leases:

As detailed in paragraph d below regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company chose to adopt the provisions of the Standard using the modified retrospective approach (without restatement of comparative figures).

Policy applicable before January 1, 2019:

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a leases based on the assessment of whether:

- Fulfilment of the arrangements was dependent on the use of a specific asset or assets; and

- The arrangement had conveyed the right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

  * The arrangement had conveyed a right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  * The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

  * Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price unit of output.

Policy applicable from January 1, 2019:

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset, for a fixed period of time, in exchange for consideration. To assess whether a contract conveys the right to control the use of identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  * The Company has the right to operate the asset; or
  * The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on assessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable under a residual value guarantee;

- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and penalties for early termination of the lease unless the Company is reasonably certain not to terminate early.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under the residual value guarantee, or if the Company changes its assessment of whether it will exercise purchase, extension or termination options.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company leases assets which mainly include land, buildings and motor-vehicles.

d. New or Amended Standards Effective January 1, 2019:

IFRS 16, "Leases"

The Company adopted IFRS 16, "Leases" (the "Standard"), commencing from January 1, 2019, using the modified retrospective approach.

According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a fixed period in exchange for consideration.

The principal effects of the Standard are as follows:

- According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or usage are recognized as an expense by the lessees as incurred or recognized as income by the lessors as earned.

- In the event of changes in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

As permitted by the Standard, the Company elected to adopt the Standard using the modified retrospective approach and measuring the right-of-use asset at an amount equal to the lease liability. This approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the Standard is measured using the Company's incremental borrowing rate of interest on the date of initial adoption of the Standard. The right-of-use asset is recognized in an amount equal to the recognized liability.

The principal effects of the initial application of the Standard are in respect of existing lease contracts in which the Company is the lessee. According to the Standard, excluding certain exceptions, the Company recognizes a lease liability and a corresponding right-of-use asset for each lease in which it is the lessee. This accounting treatment is different than the accounting treatment applied under IAS 17 according to which lease payments in respect of leases contracts for which substantially all the risks and rewards incidental to ownership of the underlying asset are not transferred to the lessee are recognized in profit or loss on a straight-line basis over the lease term.

1. Effects of the initial application of the Standard on the Company's financial statements as of January 1, 2019:

	According to the previous accounting policy	Change	As presented according to IFRS 16
As of January 1, 2019:			
Non-current assets:			
Right-of-use assets	$ -	777	$ 777
Current liabilities:			
Current maturity of lease liabilities	$ -	42	$ 42
Non-current liabilities:			
Lease liabilities	$ -	735	$ 735

2. A weighted average of incremental interest rate of 8.2% was used to discount future lease payments in the calculation of the lease liabilities on the date of initial application of the Standard.

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Reconciliation of total commitment for future minimum lease payments as disclosed in Note 13 to the annual financial statements as of December 31, 2018, to the lease liability as of January 1, 2019:

	January 1, 2019
Total undiscounted future minimum lease payments for non-cancellable leases as per IAS 17, according to the financial statements as of December 31, 2018	$ 1,104
Effect of discount of future lease payments at the Company's incremental interest rate on initial date of application	(327)
Total lease liabilities as per IFRS 16 at January 1, 2019	$ 777

4. Practical expedients applied in the initial application of the Standard:

   - The Company elected not to reassess, based on the principles in the Standard, whether contracts are or contain a lease, and instead continued to classify contracts as leases that were previously identified as leases under IAS 17.

   - The Company elected to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The initial application of the interpretation did not have an impact on the interim condensed consolidated financial statements of the Company.

Canadian Dollars in thousands, except share and per share data

NOTE 3:- BUSINESS COMBINATIONS

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand ($1,400) paid in cash.

The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date.

The fair value of the identifiable assets acquired and liabilities assumed of Adjupharm on the acquisition date (provisional measurement):

	Fair value
Assets	
Cash and cash equivalents	84
Trade and other receivables	70
Inventories	224
Property, plant and equipment	702
Intangible assets	1,149
Total identifiable assets	2,229
Liabilities	
Bank credit	(321)
Trade payables	(84)
Other payables	(44)
Bank loan	(624)
Deferred tax	(308)
Total identifiable liabilities	(1,381)
Total identifiable assets, net	848
Goodwill arising on acquisition	552
Total purchase cost	$ 1,400

Acquisition costs that are directly attributable to the transaction of approximately $104 were recorded in profit or loss.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

As part of the acquisition, the Company agreed to either (i) arrange for the release of the security provided by the sellers for the bank loan and bank credit of Adjupharm in the amount of €680 thousand ($1,026) or (2) repay the aforementioned bank loan and bank credit. In that connection, the Company deposited €720 thousand (approximately $1,090) in escrow (restricted cash) to secure the Company's aforementioned obligation. Subsequent to the date of the financial statements, the funds in escrow were used to repay the bank loan and bank credit.

Cash outflow/inflow on the acquisition:

	CAD in thousands
Cash and cash equivalents acquired with the acquiree at the acquisition date	$ 84
Cash paid	1,400
Net cash	$ 1,316

From the acquisition date, and if the business combination had taken place at the beginning of the year, Adjupharm's results of operations (i.e., net loss and revenues) were immaterial to the consolidated net loss and consolidated revenues.

The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.

The goodwill recognized is not expected to be deductible for income tax purposes.

On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares. As a result, the Company recorded an expense in the amount of $61.

NOTE 4:- BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2019	$ 89
Production costs capitalized	333
Changes in fair value less cost to sell due to biological transformation	1,739
Transferred to inventory upon harvest	(242)
Foreign exchange translation	26
Balance at March 31, 2019	$ 1,945

As of March 31, 2019, and December 31, 2018, the weighted average fair value less cost to sell was $2.65 and $2.17 per gram, respectively.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

Canadian Dollars in thousands, except share and per share data

NOTE 4:- BIOLOGICAL ASSETS (Cont.)

The following inputs and assumptions were used in determining the fair value of biological assets:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.
2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.
3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

	March 31, 2019	December 31, 2018	10% change as at March 31, 2019	10% change as at December 31, 2018
Average selling price per gram of dried cannabis (in CAD)	$ 3.1	$ 2.61	$ 224	$ 10.7
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 0.45	$ 0.44	$ 32	$ 1.8
Attrition rate	1%	0%	$ 1	$ 8.9
Average yield per plant (in grams)	200	40	$ 192	$ 8.9
Average stage of growth	40%	37%	$ 192	$ 8.9

The Company's estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

NOTE 5:- INVENTORIES

The following is a breakdown of inventory at March 31, 2019:

	March 31, 2019 Capitalized costs	March 31, 2019 Fair valuation adjustment	March 31, 2019 Carrying value
Finished goods:			
Packaged dried cannabis	$ 1,298	$ 2,646	$ 3,944
Cigarettes	30	61	91
Cannabis oil	1	-	1
Other Inventory	224	-	224
Balance as at March 31, 2019	$ 1,553	$ 2,707	$ 4,260

NOTE 5:- INVENTORIES (Cont.)

The following is a breakdown of inventory at December 31, 2018:

	December 31, 2018		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress:			
Bulk cannabis	$ 320	$ 685	$ 1,005
Finished goods			
Packaged dried cannabis	1,455	2,695	4,420
Cigarettes	16	32	48
Cannabis oil	3	-	3
Balance as at December 31, 2018	$ 1,794	$ 3,682	$ 5,476

During the three months ended March 31, 2019 and 2018, inventory expensed to cost of goods sold was 2,392 and 1,058, respectively, which included 1,220 and 458 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in three months period ended March 31, 2019 and 2018, also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

NOTE 6:- FINANCIAL INSTRUMENTS

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine fair value of each financial instrument.

	Fair Value Method
Financial Instruments Measured at Fair Value	
Warrants *)	Black & Scholes model
Financial Instruments Measured at Amortized Cost	
Cash and cash equivalents, Trade receivables and other account receivables	Carrying amount (approximates fair value due to short-term nature)
Bank credit and loan, trade Payables, other accounts payable and accrued expenses	Carrying amount (approximates fair value due to short-term nature)

*) The fair value of Warrants is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the following key assumptions:

	March 31, 2019	December 31, 2018	Sensitivity
Risk-free interest rate	1.58%	1.82%	Increase (decrease) in key assumptions would result increase (decrease) in fair value.
Expected volatility	75%	75%	
Expected life (in years)	1.2	1.45	
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	$ 4.78	$ 0.82	
Total Warrants (Canadian Dollar in thousands)	$ 5,445	$ 945	

NOTE 7:- CONTINGENT LIABILITES

Legal proceeding:

Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.

The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($47,945).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable (more likely than not) that the motion for a class action against the Company will be approved. Therefore, an accrual in respect of this litigation is not required to be recorded in the financial statements.

NOTE 8:- EQUITY

a Share option plan:

On December 19, 2018, the Board of Directors approved the “2018 Share Incentive Plan” (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together “Awards”), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 1,225,000 Ordinary Shares are reserved for issuance.

Canadian Dollars in thousands, except share and per share data

NOTE 8:- EQUITY (Cont.)

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of three years from the applicable vesting commencement date, such that 33.3% of the awards vest on the first anniversary of the applicable vesting commencement date and 66.6% of the awards vest on quarterly equal installments over 8 quarters as of the first anniversary of the Commencement Date. Subject to the discretion of the 2018 Plan, if an award has not been exercised within ten years after the date of the grant, the award expires.

As of March 31, 2019, 90,000 Ordinary Shares are available for future grant under the 2018 Plan.

The fair value for options granted during the three months ended March 31, 2019, to the Group's employees was estimated using the Black & Scholes option pricing model with the following assumptions:

Exercise price (in CAD)	4
Dividend yield (%)	-
Expected life of share options (Years)	5.5-6.51
Volatility (%)	82.5
Annual risk-free rate (%)	1.87-1.91

The weighted average fair value of each option on the grant date amounted to $2.53.

The following table lists the number of share options and the weighted average exercise prices of share options in the 2018 Plan:

	March 31, 2019	
	Number of options	Weighted average exercise price CAD
Options outstanding at the beginning of the period	-	
Options granted during the period *)	1,135,000	4
Options exercised during the period	-	
Options forfeited during the period	-	
Options outstanding at the end of period	1,135,000	
Options exercisable at the end of period	-	

*) Includes 400,000 options granted to key management personnel.

The weighted average remaining contractual life for the share options outstanding as of March 31, 2019, was 9.7 years.

The share-based payment expenses for the three months period ended March 31, 2019 and 2018, amounted to $549 and nil, respectively.

Canadian Dollars in thousands, except share and per share data

NOTE 9:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Three months ended March 31,	
	2019	2018
Salaries and related expenses	$ 760	$ 315
Professional fees	$ 242	$ 177
Depreciation	$ 94	$ 35

NOTE 10:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Three months ended March 31,			
	2019		2018	
	Weighted average number of shares	Net loss attributable to equity holders of the Company	Weighted average number of shares	Net profit attributable to equity holders of the Company
For the computation of basic net earnings	11,902	$ (6,727)	10,000	$ 664
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	11,902	$ (6,727)	10,000	$ 664

- -

IMC International Medical Cannabis

2018 ANNUAL REPORT

IMC HOLDINGS LTD.

INDEPENDENT AUDITORS' REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

IMC HOLDINGS LTD. AND ITS SUBSIDIARIES

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(Canadian dollars in thousands)

INDEX

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF

IMC HOLDINGS LTD.

Opinion

We have audited the consolidated financial statements of IMC Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other Matter

The financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on July 5, 2018.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kost Forer Gabbay & Kasierer

Tel-Aviv, Israel
September 5, 2019

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Canadian Dollars in thousands

	Note	December 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 7,591	$ 239
Trade receivables	5	14	3
Other accounts receivable	6	444	1,436
Biological assets	7	89	-
Inventories	8	5,476	1,446
		13,614	3,124
NON-CURRENT ASSETS:			
Property, plant and equipment, net	9	1,073	519
Deferred tax assets	14	307	-
		1,380	519
Total assets		$ 14,994	$ 3,643

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian Dollars in thousands

	Note	December 31, 2018	December 31, 2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		$ 609	$ 225
Other accounts payable and accrued expenses	11	698	1,170
		1,307	1,395
NON-CURRENT LIABILITIES:			
Deferred tax liability	14	847	259
Warrants measured at fair value	12	1,053	-
Employee benefit liabilities, net	10	176	192
		2,076	451
Total liabilities		3,383	1,846
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	15		
Share capital and premium		7,099	(*
Translation reserve		43	15
Retained earnings		3,040	1,315
Total equity attributable to shareholders of the Company		10,182	1,330
Non-controlling interests		1,429	467
Total equity		11,611	1,797
Total equity and liabilities		$ 14,994	$ 3,643

*) Represents an amount of less than $1.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Canadian Dollars in thousands, except per share data

	Note	Year ended December 31, 2018	2017
Revenues		$ 5,197	$ 4,393
Cost of revenues		1,775	1,968
Gross profit before fair value adjustments		3,422	2,425
Fair value adjustments:			
Unrealized change in fair value of biological assets		4,373	1,123
Realized fair value adjustments on inventory sold in the period		(1,599)	(745)
Total fair value adjustments		2,774	378
Gross profit after fair value adjustments		6,196	2,803
General and administrative expenses		2,520	1,593
Selling and marketing expenses		510	216
Research and development expenses		83	-
Total operating expenses		3,113	1,809
Operating profit	16	3,083	994
Finance income		439	-
Finance expense		(154)	(26)
Finance income (expense), net		285	(26)
Income before income taxes		3,368	968
Income tax expense	14	741	241
Net income		2,627	727
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on defined benefit plans		57	(25)
Exchange differences on translation to presentation currency		31	36
Total other comprehensive income that will not be reclassified to profit or loss in subsequent periods		88	11
Total comprehensive income		$ 2,715	$ 738
Net income attributable to:			
Equity holders of the Company		1,683	538
Non-controlling interests		944	189
		$ 2,627	$ 727
Total comprehensive income attributable to:			
Equity holders of the Company		1,753	546
Non-controlling interests		962	192
		$ 2,715	$ 738
Net income per share attributable to equity holders of the Company	17		
Earnings per share (in CAD) Basic and Diluted		$ 0.15	$ 0.05

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian Dollars in thousands

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2017	$ *)	$ *)	$ (12)	$ 796	$ 784	$ 275	$ 1,059
Net income	-	-	-	538	538	189	727
Other comprehensive income	-	-	27	(19)	8	3	11
Total comprehensive income	-	-	27	519	546	192	738
Balance as of December 31, 2017	*)	*)	15	1,315	1,330	467	1,797
Issue of share capital, net of issuance cost of $751	45	7,054	-	-	7,099	-	7,099
Net income	-	-	-	1,683	1,683	944	2,627
Other comprehensive income	-	-	28	42	70	18	88
Total comprehensive income	-	-	28	1,725	1,753	962	2,715
Balance as of December 31, 2018	$ 45	$ 7,054	$ 43	$ 3,040	$ 10,182	$ 1,429	$ 11,611

*) Represents an amount of less than $1.

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian Dollars in thousands

	Year ended December 31, 2018	Year ended December 31, 2017
Cash provided by (used in) operating activities:		
Net income for the year	$ 2,627	$ 727
Adjustments for non-cash items:		
Unrealized gain on changes in fair value of biological assets	(4,373)	(1,123)
Fair value adjustment on sale of inventory	1,599	745
Fair value adjustment on warrants measured at fair value	(369)	-
Depreciation of property, plant and equipment	180	81
Changes in employee benefit liabilities, net	41	107
Deferred tax expense, net	281	80
	(2,641)	(110)
Changes in non-cash working capital:		
Decrease (increase) in trade receivables, net	(14)	93
Decrease (increase) in other accounts receivable	1,199	(1,172)
Decrease in biological assets, net of fair value adjustments	4,286	1,123
Increase in inventories, net of fair value adjustments	(5,590)	(1,043)
Increase in trade payables	380	66
Increase (decrease) in other accounts payable and accrued expenses	(472)	918
	(211)	(15)
Taxes paid	(206)	(77)
Net cash provided by (used in) operating activities	(431)	525
Cash flows from investing activities:		
Purchase of property, plant and equipment	(729)	(426)
Net cash used in investing activities	(729)	(426)
Cash provided by financing activities:		
Proceeds from issuance of share capital, net of issuance costs	7,099	-
Proceeds from issuance of warrants measured at fair value	1,278	-
Net cash provided by financing activities	8,377	-
Effect of foreign exchange on cash and cash equivalents	135	4
Increase in cash and cash equivalents	7,352	103
Cash and cash equivalents at beginning of year	239	136
Cash and cash equivalents at end of year	$ 7,591	$ 239

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Information:

IMC Holdings Ltd. (the "Company" or "IMC") was established and incorporated by two shareholders (the "Principal Shareholders") on January 16, 2018, under the laws of the state of Israel as a private company. The Company's main office is located in Kibutz Glil-Yam, Israel.

The Company operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA. See also note 20(b).

The Company and its subsidiaries (the "Group") operates in one reporting segment. For all reporting periods presented, the revenues of the Group were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

b. In early 2018, shortly after IMC was established, the Principal Shareholders transferred their combined 74% ownership interest in Focus to IMC in consideration for shares issued by IMC ("the Transaction"). As IMC had no significant operations nor assets at the date of the transfer, the Transaction resulted in substance in a continuation of the existing operations and net assets of Focus. Therefore, the Transaction has been accounted for as a recapitalization. Accordingly, the assets, liabilities, and non-controlling interests of Focus are reflected at their carrying amounts at the date of the Transaction. The difference in share capital between IMC and Focus is reflected as an adjustment to share premium in equity. Comparative financial information for the periods prior to the Transaction reflect the assets, liabilities, revenues, expenses, and cash flows of Focus.

Refer to Note 20(b) – Subsequent events.

c. On November 6, 2018, the Company entered into a definitive business combination agreement (the "Definitive Agreement"), as amended from time to time, with IM Cannabis Corp., formerly: Navasota Resources Inc. ("IM Cannabis"), incorporated under the laws of British Columbia, Canada, and its wholly-owned subsidiary, Navasota Acquisition Ltd., incorporated under the laws of the state of Israel, according to which IM Cannabis will acquire a 100% interest in the Company, which will constitute a Reverse Takeover Transaction of IM Cannabis by the shareholders of the Company (the “RTO Transaction”). The Company intends to apply for a concurrent listing of the common shares of IM Cannabis on the Canadian Securities Exchange.

IM Cannabis has historically engaged in resource exploration activities but ceased operations and shifted focus to identifying and evaluating opportunities for the acquisition of an interest in assets or businesses. IM Cannabis has no business operations or assets, other than cash, and since March 7, 2018, had conducted no business operations except for the identification and evaluation of potential acquisitions.

NOTE 1:- GENERAL (Cont.)

The Definitive Agreement is subject to certain closing conditions, including shareholders' meeting approval of each of IM Cannabis and the Company, prior to completion of the RTO Transaction.

d. Approval of consolidated financial statements:

These consolidated financial statements of the Group were authorized for issue by the board of directors on September 5, 2019.

e. Definitions:

In these financial statements:

The Company, or IMC	- IMC Holdings Ltd.
The Group	- IMC Holdings Ltd. and its Subsidiaries.
Subsidiaries	- Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
CAD or $	- Canadian Dollar.
NIS	- New Israeli Shekel

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group's financial statements have been prepared on a cost basis, except for:

- Financial instruments which are presented at fair value through profit or loss.
- Biological assets which are presented at fair value less cost to sell up to the point of harvest.

The Group has elected to present the profit or loss items using the function of expense method.

Canadian Dollars in thousands, except share and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

As of December 31, 2018 and 2017, major subsidiaries over which the Company has control, directly or indirectly, include:

	Percentage ownership	
Subsidiaries (all incorporated in Israel)	**2018**	**2017**
Focus Medical Herbs Ltd. ("Focus")	74%	74%
I.M.C Pharma Ltd. ("IMC Pharma")	100%	-
I.M.C. Farms Israel Ltd. ("IMC Farms")	100%	-
I.M.C.C Ltd. ("IMCC")	100%	-
I.M.C Ventures Ltd. ("IMC Ventures")	75%	-

See also Note 20

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

The disposal of a subsidiary that does not result in a loss of control is recognized as a change in equity. Upon the disposal of a subsidiary resulting in loss of control, the Company:

- Derecognizes the subsidiary's assets (including goodwill) and liabilities.
- Derecognizes the carrying amount of non-controlling interests.
- Derecognizes the adjustments arising from translating financial statements carried to equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis as would be required if the subsidiary had directly disposed of the related assets or liabilities.
- Recognizes any resulting difference (surplus or deficit) as gain or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control.

Contingent consideration is recognized at fair value on the acquisition date and classified as a financial asset or liability in accordance with IFRS 9. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent remeasurement.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

d. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The functional currency of the Company and its Israeli subsidiaries is the New Israeli Shekel ("NIS").

The Group determines the functional currency of each Group entity.

The financial statements are presented in Canadian dollars ("CAD"), the presentation currency, since the Company believes that financial statements in CAD provide more

relevant information to the investors and users of the financial statements who are located outside of Israel.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, and of each Group entity for which the functional currency is not the presentation currency are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Upon the full or partial disposal of a foreign operation resulting in loss of control in the foreign operation, the cumulative gain (loss) from the foreign operation which had been recognized in other comprehensive income is transferred to profit or loss. Upon the partial disposal of a foreign operation which results in the retention of control in the subsidiary, the relative portion of the amount recognized in other comprehensive income is reattributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

e. Cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. Short-term deposits:

Short-term bank deposits are deposits with an original maturity of more than three months from the date of investment and which do not meet the definition of cash equivalents. The deposits are presented according to their terms of deposit.

g. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

h. Biological assets:

The Group's biological assets consist of cannabis plants.

The Group capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. These costs include the direct cost of planting and growing materials as well as other indirect costs such as utilities and supplies used in the cultivation process. Indirect labor for individuals involved in the cultivation and quality control process is also included, as well as depreciation on growing equipment and overhead costs such as rent to the extent it is

associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item cost of revenues on the Group's statements of profit or loss and other comprehensive income in the period that the related product is sold.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of inventories after harvest. The fair value is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred (e.g., post-harvest costs). The net unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the gross profit for the related period and are recorded in a separate line on the face of the Group's statements of profit or loss and other comprehensive income.

Determination of the fair values of the biological assets requires the Group to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The Group accretes fair value on a straight-line basis according to stage of growth (e.g., a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value, subject to wastage adjustments).

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy. For the inputs and assumptions used in determining the fair value of biological assets, please refer to Note 7.

The Group's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

i. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Group reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written-down to net realizable value.

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value.

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of revenues on the Group's statements of profit or loss and other comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line item on the face of the statements of profit or loss and other comprehensive income.

The Group must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Property, plant and equipment:

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately using the component method.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement and calculated on a straight-line basis over the useful lives of the assets at annual rates as follows:

	%	Mainly %
Greenhouse production equipment	7-25	20
Greenhouse Structure	12.5	12.5
Motor vehicles	15	15
Computer, Software & Equipment	20-33	33
Leasehold improvements	See below	See below

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

k. Impairment of non-financial assets:

The Group evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Revenue recognition:

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The Group adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption is recognized in retained earnings as of January 1, 2018 and comparatives will not be restated. The adoption of this new standard had no material impact on the amounts recognized in the consolidated financial statements.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a 'point in time' or 'over time', the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligations.

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to or upon delivery and revenue is recognized upon the satisfaction of the performance obligation. The Group satisfies its performance obligation and transfers control upon delivery and acceptance by the customer, the timing of which is consistent with the Group's previous revenue recognition policy under IAS 18.

m. Leases:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17.

As a lessee, the Group classified lease agreements as operating lease if they do not transfer substantially all the risks and benefits incidental to ownership of the leased asset.
Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

n. Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Group's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective amount of expenses that should be capitalized to an asset during its development.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The asset is measured at cost less any accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. The asset is amortized over its useful life. Testing of impairment is performed annually over the period of the development project.

o. Financial instruments:

In July 2014, the IASB issued the final and complete version of IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement.

The Group elected to early adopt the provisions of the IFRS 9 on January 1, 2017 and apply all of its requirements from that date.

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

- The Group's business model for managing financial assets; and
- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

Impairment of financial assets:

The Group evaluates at the end of each reporting period the loss allowance for financial debt instruments measured at amortized cost. The Group has short-term financial assets, principally trade receivables, in respect of which the Group applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses. The impairment loss, if any, is recognized in profit or loss with a corresponding allowance that is offset from the carrying amount of the assets.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or
- The Group has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or
- The Group has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

2. Financial liabilities:

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Group measures all financial liabilities at amortized cost using the effective interest rate method, except for financial liabilities at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs incurred at initial recognition are recognized in profit or loss.

After initial recognition, changes in fair value are recognized in profit or loss.

Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

4. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

p. Employee benefit liabilities:

The Group has several employee benefit plans:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group has defined contribution plans pursuant to section 14 to the Israeli Severance Pay Law under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the Israeli Severance Pay Law. According to the Severance Pay Law, employees are entitled to severance pay upon dismissal or retirement. The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include expected salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields at the reporting date on high quality corporate bonds that are linked to the Consumer Price Index with a term that is consistent with the estimated term of the severance pay obligation.

In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (the "plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group’s own creditors and cannot be returned directly to the Group.

The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets.
Remeasurements of the net liability are recognized in other comprehensive income in the period in which they occur.

q. Share-based payment transactions:

The Group's employees and service providers are entitled to remuneration in the form of equity-settled share-based payments.

Equity-settled transactions:

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

s. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Deferred taxes are offset if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

t. Earnings per share:

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted number of Ordinary Shares outstanding during the period.

Potential Ordinary Shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Ordinary Shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Assessment of going concern:

The use of the going concern basis of preparation of the financial statements. At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In arriving at this determination, the Company has undertaken a thorough review of the Group's cash flow forecast and potential liquidity risks. Cash flow projections have been prepared which show that the Group's operations will be cash generative during the period of at least 12 months from the date of approval of the consolidated financial statements. After considering the aforementioned, management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The estimates and judgment made by management in reaching this conclusion are based on information available as at the date these financial statements were approved for issue. Accordingly, actual circumstances may differ from those estimates and the variation may be material.

Biological assets and inventory:

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. See Note 7 for further information.

Fair value of warrants:

As the fair values of warrant liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using an acceptable option-pricing models. The inputs to this model are based on estimates. The estimates include considerations of model inputs related to items such as discount rates and volatility. Changes in estimates of these factors could affect the reported fair value of the warrants in the statement of financial position and the level where the warrants are disclosed in the fair value hierarchy.

NOTE 3:- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)

Legal claims:

In estimating the likelihood of legal claims filed against the Group entities, the Group management rely on the opinion of its legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and legal precedents in respect of the different issues. Since the outcome of the claims may be determined in courts, the results could differ from these estimates.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION

a. IFRS 16, Lease**s**

In January 2016, the IASB issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration .

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease

- The new Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

The new Standard is effective for annual periods beginning on or after January 1, 2019.

NOTE 4:- DISCLOSURE OF NEW STANDARDS IN THE PERIOD PRIOR TO THEIR ADOPTION (Cont.)

The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity.

   Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:

   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements. The Company believes that it will apply the modified retrospective approach upon the initial adoption of the new Standard whereby the right-of-use asset will be measured at an amount equal to the lease liability.

The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of use asset) and lease liabilities in the amount of approximately $777.

b. IFRIC 23, Uncertainty over Income Tax Treatments:

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Canadian Dollars in thousands, except share and per share data

NOTE 5:- TRADE RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables - Patients	$ 14	$ 3
Trade receivables	$ 14	$ 3

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As of December 31, 2018 and 2017, there were no material past-due receivables.

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 6	$ 17
Government authorities	67	-
Related parties - see Note 18	30	1,243
Credit cards receivables	291	146
Other receivables	50	30
Other accounts receivable	$ 444	$ 1,436

NOTE 7:- BIOLOGICAL ASSETS

The Group's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

Balance at January 1, 2017	$ -
Production costs capitalized	1,187
Changes in fair value less cost to sell due to biological transformation	1,123
Transferred to inventory upon harvest	(2,310)
Foreign exchange translation	-
Balance at December 31, 2017	-
Production costs capitalized	1,037
Changes in fair value less cost to sell due to biological transformation	4,373
Transferred to inventory upon harvest	(5,322)
Foreign exchange translation	1
Balance at December 31, 2018	$ 89

As of December 31, 2018, the weighted average fair value less cost to sell was $2.17 per gram.

The fair value of biological assets is categorized within Level 3 of the fair value hierarchy.

NOTE 7:- BIOLOGICAL ASSETS (Cont.)

The inputs and assumptions used in determining the fair value of biological assets include:

1. Selling price per gram - calculated as the weighted average historical selling price for all strains of cannabis sold by the Group, which is expected to approximate future selling prices.
2. Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials, depreciation and labor as well as labelling and packaging costs.
3. Attrition rate - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.
4. Average yield per plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
5. Stage of growth - represents the weighted average number of weeks out of the average weeks growing cycle that biological assets have reached as of the measurement date. The growing cycle is approximately 12 weeks.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

	December 31,		10% change as at December 31,	
	2018	2017	2018	2017
			In thousands	
Average selling price per gram of dried cannabis (in CAD)	$ 2.61	---	$ 10.7	---
Average post-harvest costs per gram of dried cannabis (in CAD)	$ 0.44	---	$ 1.8	---
Attrition rate	0%	---	$ 8.9	---
Average yield per plant (in grams)	40	---	$ 8.9	---
Average stage of growth	37%	---	$ 8.9	---

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Group’s estimates are, by their nature, subject to change including differences in the anticipated yield. These changes will be reflected in the gain or loss on biological assets in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Canadian Dollars in thousands, except share and per share data

NOTE 8:- INVENTORIES

	December 31, 2018		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$ 320	$ 685	$ 1,005
Finished goods			
Packaged dried cannabis	1,455	2,965	4,420
Cigarettes	16	32	48
Cannabis oil	3	-	3
Balance as at December 31, 2018	$ 1,794	$ 3,682	$ 5,476

	December 31, 2017		
	Capitalized costs	Fair valuation adjustment	Carrying value
Work in progress			
Bulk cannabis	$ 12	$ 18	$ 30
Finished goods			
Packaged dried cannabis	476	924	1,400
Cigarettes	5	10	15
Cannabis oil	1	-	1
Balance as at December 31, 2017	$ 494	$ 952	$ 1,446

During the years ended December 31, 2018 and 2017, inventory expensed to cost of goods sold was \$3,374 and \$2,713 respectively, which included \$1,599 and \$745 of non-cash expense, respectively, related to the changes in fair value of inventory sold.

Cost of revenues in 2018 and 2017 also include production overhead not allocated to costs of inventories produced and recognized as an expense as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 9:- PROPERTY, PLANT AND EQUIPMENT, NET

	Leasehold Improvement	Greenhouse Production Equipment	Greenhouse Structure	Computer, Software & Equipment	Motor Vehicles	Total
Cost:						
Balance at January 1, 2017	-	259	166	-	-	425
Additions during the year	-	210	198	-	18	426
Foreign currency translation	-	9	7	-	-	16
Balance, December 31, 2017	-	478	371	-	18	867
Additions during the year	77	338	309	5	-	729
Foreign currency translation	1	4	3	-	-	8
Balance December 31, 2018	78	820	683	5	18	1,604
Accumulated Depreciation:						
Balance at January 1, 2017	-	188	71	-	-	259
Depreciation during the year	-	45	34	-	2	81
Foreign currency translation	-	6	2	-	-	8
Balance, December 31, 2017	-	239	107	-	2	348
Depreciation during the year	2	97	78	1	2	180
Foreign currency translation	-	2	1	-	-	3
Balance, December 31, 2018	2	338	186	1	4	531
Net Book Value:						
December 31, 2017	$ -	$ 239	$ 264	$ -	$ 16	519
December 31, 2018	$ 76	$ 482	$ 497	$ 4	$ 14	$ 1,073

NOTE 10:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES

Employee benefits consist of short-term benefits and post-employment benefits.

a. Post-employment benefits:

According to the labor laws and Severance Pay Law in Israel, the Group is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to Section 14 to the Severance Pay Law, as specified below. The Group's liability is accounted for as a post-employment benefit only for employees not under Section 14. The computation of the Group's employee benefit liability is made in accordance with a valid employment contract or a collective employees agreement based on the employee's salary and employment term which establish the entitlement to receive the compensation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Canadian Dollars in thousands, except share and per share data

NOTE 10:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

The post-employment employee benefits are normally financed by contributions classified as defined benefit plans, as detailed below:

1. Defined benefit plans:

   The Group accounts for the payment of compensation, that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in a long-term employee benefit fund and in qualifying insurance policies.

2. Expenses recognized in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31,	
	2018	**2017**
Current service cost	$ 79	$ 101
Interest expenses	5	3
Total employee benefit expenses	84	104
Interest income on plan assets	$ 3	$ 2

3. The defined benefit liability (asset), net:

	December 31,	
	2018	**2017**
Defined benefit obligation	$ 261	$ 267
Fair value of plan assets	(85)	(75)
Net defined benefit liability	$ 176	$ 192

4. Changes in the present value of defined benefit liabilities:

	2018	**2017**
Balance at January 1,	$ 267	$135
Current service cost	79	101
Interest expenses	5	3
Benefits paid	(26)	(1)
Re-measurement loss (gain) on defined benefit plans	(68)	23
Foreign currency translation effect	4	6
Balance at December 31,	$ 261	$ 267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 10:- EMPLOYEE BENEFIT ASSETS AND LIABILITIES (Cont.)

5. Changes in the fair value of plan assets:

Plan assets comprise assets held by a long-term employee benefit funds and qualifying insurance policies.

	2018	2017
Balance at January 1,	$ 75	$ 43
Interest income	3	2
Return, net of interest income - remeasurements gain (losses)	(11)	(2)
Benefits paid	(26)	(1)
Amounts deposited	43	33
Foreign currency translation effect	1	-
Balance at December 31,	$ 85	$ 75

6. The principal assumptions underlying the defined benefit plan

	2018	2017
	%	
Discount rate	3.94%	3.18%
Salary growth	3.59%	3.27%

Based on reasonably possible changes of the principal assumptions underlying the defined benefit plan as mentioned above, occurring at the end of the reporting period, the changes would have an immaterial effect on the consolidated financial statements.

NOTE 11:- OTHER PAYABLES

	December 31,	
	2018	2017
Accrued expenses	$ 151	$ 17
Employees and payroll accruals	150	84
Related parties - see Note 18	-	705
Government authorities	351	336
Other payables	46	28
	$ 698	$ 1,170

NOTE 12:- FINANCIAL INSTRUMENTS

In May and June 2018, IMC completed a series of private placements pursuant to which it sold an aggregate of 2,282,750 units (the "Units") at $4.00 per Unit for gross proceeds of $9,131 (the "2018 Private Placements"). Each Unit consisted of one IMC Ordinary Share and one-half of one IMC Warrant, with each whole IMC Warrant exercisable for one IMC Ordinary Share at an exercise price of $5.00 for 24 months following the date of issuance. The gross proceeds amounted to $9,131 and aggregate net proceeds to the Company from the 2018 Private Placement, after deducting the Placement Agents' (the "Agents") fees and other issuance expenses of $874, were a $8,257.

The Warrants underlying each Unit were determined to include a financial derivative and accordingly were classified as financial liability measured at fair value through profit or loss. Accordingly, the Company allocated the gross proceeds received to the securities issued in the Unit, such that proceeds allocated to the Warrants component amounted to $1,278 and proceeds allocated to the Ordinary Share were determined to be the residual amount of $7,853.

In addition, IMC has granted 128,651 Compensation Warrants to the Agents in the same terms as described above.

Issuance expenses in the amount of $874 were allocated as follows: An amount of $123 allocated to the Warrants was expensed in finance expense in the consolidated statement of profit or loss and other comprehensive income and an amount of $751 was allocated to the Ordinary Shares and recorded as a reduction of share premium.

The fair value of Warrants is categorized within Level 3 of the fair value hierarchy. The fair value was measured using the Black & Scholes model with the following key assumptions:

	December 31, 2018	Issuance date	Sensitivity
Risk-free interest rate	1.82%	1.81%	Increase (decrease) in key assumptions would result increase (decrease) in fair value.
Expected volatility	75%	78.4%	
Expected life (in years)	1.45	2	
Expected dividend yield	0%	0%	
Fair value:			
Per Warrant (Canadian Dollar)	$ 0.82	$ 1.12	
Total Warrants (Canadian Dollar in thousands)	$ 1,053	$ 1,422	

As of December 31, 2018, there were 1,270,026 Warrants outstanding, and the Company re-measured the Warrants to their fair value in the amount of $1,053. As a result, for the year ended December 31, 2018, the Company recognized a revaluation gain of $369 in the consolidated statement of profit or loss and other comprehensive income, which unrealized gain is included in finance income.

Financial risk management:

The Group has exposure to the following risks from its use of financial instruments:

Credit risk:

The maximum credit exposure at December 31, 2018, is the carrying amount of cash and cash equivalents, accounts receivable and other current assets. The Group does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Israeli financial institutions.

NOTE 12:- FINANCIAL INSTRUMENTS (Cont.)

Liquidity risk

As at December 31, 2018, the Group's financial liabilities consist of accounts payable and other accounts payable which has contractual maturity dates within one year. The Group manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Group's working capital position at December 31, 2018, management considers liquidity risk to be low.

The maturity profile of the Company's financial liabilities (trade payables, other account payable and accrued expenses) as of 31 December 2018, and 2017, are less than one year.

Currency rate risk

As at December 31, 2018, a portion of the Group's financial assets and liabilities held in CAD consist of cash and cash equivalents. The Group's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in NIS. The Group does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point of time.

NOTE 13:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES

1. On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.

   On December 1, 2016, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 6,000 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

   According to the agreements, Focus will be responsible for transferring to the Farmer payments for the rental of the facility. The future minimum non-cancellable payments (including option periods expected to be exercised) based on the exchange rate for NIS as of December 31, 2018, are as follows:

Year ended December 31,	Canadian Dollars in thousands
2019	106
2020	106
2021	106
2022	106
2023 and thereafter	680

2. Total rent expenses for the years ended December 31, 2018 and 2017, amounted to approximately $194 and $164, respectively.

NOTE 13:- CONTINGENT LIABILITIES, GUARANTEES, COMMITMENTS AND CHARGES (Cont.)

3. Legal proceedings:

Municipal Taxes Demand

On January 15, 2018, IMC, six other medical cannabis growers and Abarbanel Mental Health Center received a municipal tax demand from the municipality of Bat-Yam, ordering them to pay approximately NIS 2.8 million ($911), for operating a medical cannabis distribution center in Bat-Yam. On May 15, 2018, IMC filed an objection to the demand on the basis that it does not operate nor conduct business of any kind in the jurisdiction of Bat-Yam. The procedure remains in process and no outcome has been reached.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable (more likely than not) that the claim against the Company will be approved. Therefore, an accrual in respect of this litigation is not required to be recorded in the financial statements.

Class Action T.Z. 8394-11-16

On November 3, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($47,945).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019. At the current stage of the litigation process, its outcomes cannot yet be predicted.

At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that it is not probable (more likely than not) that the motion for a class action against the Company will be approved. Therefore, an accrual in respect of this litigation is not required to be recorded in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 14:- TAXES ON INCOME

a. Tax rates applicable to the Group:

The Israeli corporate tax rate was 23% in 2018 and 24% in 2017.

b. Tax assessments:

The Company and its Israeli subsidiaries, excluding Focus, have not received final tax assessments or assessments that are deemed final since inception. Focus has assessments that are deemed final until 2012.

c. Carryforward losses for tax purposes:

Carryforward operating tax losses of the Company and its Israeli subsidiaries total approximately $636, as of December 31, 2018. These losses can be carried forward to future years and offset against taxable income in the future without any time limitation.

d. Income tax benefit (expense):

	Year ended December 31	
	2018	**2017**
Current	$ (443)	$ (145)
Deferred, net	(281)	(80)
Income tax from previous years	(17)	(16)
	$ (741)	$ (241)

e. Deferred taxes:

	Statements of financial position		Statements of profit or loss	
	December 31,		Year ended December 31,	
	2018	**2017**	**2018**	**2017**
Deferred tax assets:				
Carry-forward tax losses and other	$ 307	$ -	$ 307	$ -
	307	-	307	-
Deferred tax liabilities:				
Inventory and biological assets	847	259	588	80
	847	259	588	80
Deferred tax expenses, net			$ 281	$ 80
Deferred tax assets (liabilities), net	$ (540)	$ (259)		

Canadian Dollars in thousands, except share and per share data

NOTE 14:- TAXES ON INCOME (Cont.)

The deferred taxes are reflected in the statement of financial position as follows:

	December 31, 2018	December 31, 2017
Non-current assets	$ 307	$ -
Non-current liabilities	$ 847	$ 259

The deferred taxes are computed at the tax rate of 23% based on the tax rates that are expected to apply upon realization.

f. Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2018 and 2017:

	The year ended December 31, 2018	The year ended December 31, 2017
Income before income tax	**$** 3,368	**$** 968
Income tax at Israeli statutory income tax rate of 23% (2017: 24%)	775	232
Increase (decrease) in income tax due to:		
Non-deductible expenses for tax purposes	2	1
Adjustments in respect of current income tax of previous years	17	16
Other adjustments	(53)	(8)
Income tax expense	**$** 741	**$** 241

NOTE 15:- EQUITY

a. Composition of share capital:

	December 31, 2018		December 31, 2017	
	Authorized	**Issued and outstanding**	**Authorized**	**Issued and outstanding**
Ordinary shares of NIS 0.01 par value each	20,000,000	12,282,750	20,000,000	10,000,000

Ordinary shares confer upon their holders the right to participate in the general meeting where each Ordinary share has one voting right in all matters, receive dividends if and when declared and to participate in the distribution of surplus assets in case of liquidation of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 15:- EQUITY (Cont.)

In order to comply with the terms of the Company's licenses under applicable Israeli cannabis regulations, the Company will adopt restrictions in its Articles causing the Ordinary Shares to become ''dormant'', and all of these rights will cease to apply to dormant Ordinary Shares, if and for so long as they are held by any holder or group of holders that beneficially owns, or has control or direction over, 5% or more of the total number of Ordinary Shares outstanding (from which number any dormant Ordinary Shares held by other shareholders may be required to be excluded), without having first obtained certain regulatory approvals.

b. Movement in share capital:

Ordinary shares issued during the year ended December 31,	Number of shares	Amount
2018 *)	12,282,750	$ 6,976

*) In May and June 2018, IMC completed a series of private placements pursuant to which it sold an aggregate of 2,282,750 units (the "Units") at $4.00 per Unit for gross proceeds of $9,131 (the "2018 Private Placements"). For further information, see Note 12.

c. Share option plan:

On December 19, 2018, the Board of Directors approved the "2018 Share Incentive Plan" (the "2018 Plan"), for the granting of options, shares, restricted shares and restricted share units, (together "Awards"), in order to provide incentives to Group employees, directors, consultants and/or contractors. In accordance with the 2018 Plan, a maximum of 1,225,000 Ordinary shares are reserved for issuance.

Awards granted under the 2018 Plan are subject to vesting schedules and unless determined otherwise by the administrator of the 2018 Plan, generally vest following a period of three years from the applicable vesting commencement date, such that 33.3% of the awards vest on the first anniversary of the applicable vesting commencement date and 66.7% of the awards vest in twelve equal installments upon the lapse of each three-month period thereafter. Subject to the discretion of the 2018 Plan administrator, if an award has not been exercised within seven years after the date of the grant, the award expires.

As of December 31, 2018, 1,225,000 Ordinary Shares are available for future grant under the 2018 plan.

There were no grants during 2018 under the 2018 plan. See Note 20(d).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 16:- SELECTED STATEMENTS OF PROFIT OR LOSS DATA

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and related expenses	$ 378	$ 210
Depreciation	$ 180	$ 81

NOTE 17:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income used in the computation of earnings per share:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Weighted number of shares (in thousands)	Net income attributable to equity holders of the Company	Weighted number of shares (in thousands)	Net income attributable to equity holders of the Company
For the computation of basic net earnings	11,269	$ 1,683	10,000	$ 538
Effect of potential dilutive Ordinary shares	-	-	-	-
For the computation of diluted net earnings	11,269	$ 1,683	10,000	$ 538

(*) As of December 31, 2018, all potentially dilutive securities (Warrants) were excluded from the calculation of diluted earnings per share as they are antidilutive (2017 - no potentially dilutive securities).

NOTE 18:- RELATED PARTY BALANCES AND TRANSACTIONS

a. Balances and Transactions:

The following table summarizes balances with related parties in the statements of financial position:

	December 31, 2018	December 31, 2017
Other accounts receivables	$ 30	$ 1,243
Other accounts payable and accrued liabilities	$ -	$ 705

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 18:- RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)

The following table summarizes the transactions with related parties in the consolidated statements of profit or loss and other comprehensive income:

	Year ended December 31, 2018	Year ended December 31, 2017
General and administrative expenses	$ 420	$ 762

Transactions with related parties mainly includes compensation for management services and bonus in the ordinary course of business and lease rental payments.

b. Compensation of key management personnel of the Group:

	Year ended December 31, 2018	Year ended December 31, 2017
Payroll and related expenses	$ 517	$ 173
Professional fees *)	$ 346	$ 466

*) Includes payments to shareholders for the years ended 2018 and 2017 of $346 and $466, respectively.

NOTE 19:- SUMMARIZED FINANCIAL INFORMATION FOR SUBSIDIARY

Summarized financial information for Focus as follows:

	December 31, 2018	December 31, 2017
Statement of financial position at reporting date (as presented in Focus financial statements):		
Current assets	6,447	3,125
Non-current assets	981	519
Current liabilities	(878)	(1,395)
Non-current liabilities	(1,025)	(451)
Total equity	5,525	1,798

	Year ended December 31, 2018	Year ended December 31, 2017
Focus operating results (as presented in Focus financial statements):		
Revenues	5,197	4,393
Net income	3,632	727
Other comprehensive income	71	11
Total comprehensive income	3,703	738

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian Dollars in thousands, except share and per share data

NOTE 19:- SUMMARIZED FINANCIAL INFORMATION FOR SUBSIDIARY (Cont.)

	Year ended December 31,	
	2018	2017
Focus cash flows (as presented in Focus financial statements):		
From operating activities	388	524
From investing activities	(620)	(427)
From financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(232)	97

NOTE 20:- SUBSEQUENT EVENTS

a. On December 25, 2018, the Israeli Dangerous Drug Ordinance was amended to allow the export of medical cannabis products by authorized exporters, following which, in January 2019, the Israeli Government approved the export of medical cannabis products from Israel, subject to additional regulations.

b. Understanding that the forthcoming Israel Minister Of Health ("MOH") regulatory reform will allow many new Israeli medical cannabis entrants to apply for licenses and operate as Licensed Producers (”LPs”), IMC identified an opportunity to generate revenue by offering consulting services and licensing IMC’s IP to a wide range of new entrants to the Israeli medical cannabis industry.

On April 2, 2019, IMC undertook a restructuring process (the "IMC Restructuring") to divest its holdings in Focus, IMC Pharma and IMCC (the "Licensed Entities") and sold its interest to the two Principal Shareholders of the Company. In the process, IMC restructured its connection to the Government Issued License, from Direct Ownership to a Business Agreement relationship, according to which IMC will still gain most of the economic values generated from the License, without directly owning it. Furthermore, IMC has the option to buy back the ownership of the license from the two Principal Shareholders. The restructuring process is subject to the prior approval of the MOH and became effective on June 24, 2019.

Following the IMC Restructuring of the Licensed Entities, IMC is not subject to any regulations in Israel applicable to the medical cannabis industry nor is it a direct or indirect holder of a licensed entity.

As a result of the IMC Restructuring, the Company offers consulting, marketing and other related services to the Israeli medical cannabis industry through the licensing of IMC’s IP, including IMC’s Brand, IMC’s Technology and IMC’s Know-How. Currently, IMC primarily offers services to Focus pursuant to Commercial Agreements (the "Commercial Agreements") and has a number of proprietary medical cannabis products bearing IMC’s Brand currently in distribution in Israel.

NOTE 20:- SUBSEQUENT EVENTS (Cont.)

According to the Commercial Agreements between the Company and Focus, IMC will provide certain services to Focus in exchange for fees and royalties:

1. Under the Services Agreement, IMC will provide Focus with the following services based on Cost + 25%, payable quarterly:

   i. Business development and identification of collaboration opportunities in international jurisdictions;
   ii. Financial analysis services; and
   iii. Assistance with innovation projects, including identification of potential partners and service providers for such projects.

2. Under the License Agreement, IMC grants Focus a limited, non-exclusive, non-assignable license to use IMC's IP for the purposes of cultivation of cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors to be engaged with by Focus, in accordance with the terms and conditions of the License or New License, as applicable, issued to Focus by the Israeli Ministry of Health ("MOH"), applicable laws and regulations and subject to the terms of the License Agreement. As consideration for the use of IMC's IP and for certain maintenance services to be provided by IMC, Focus shall pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

   Under the Commercial Agreements, Focus has represented and warranted to IMC that it has received and shall maintain in good standing the License issued by the MOH. The current License permits Focus to produce and sell cannabis and cannabis oil for medical purposes.

   As part of the IMC Restructuring, IMC entered into the Option Agreements with the Principal Shareholders pursuant to which IMC shall have the Option to re-acquire Focus, IMC Pharma and IMCC valid for a term of ten years for an aggregate exercise price of NIS 2,757 thousands (approximately $1,002).

   The exercise of the options are subject to the prior approval of the change in the ownership of the aforementioned companies by the IMCA approval or any other Israeli regulatory authority that will be authorized to supervise and enforce the provisions of the License at the time of such exercise.

Subsequent to the Restructuring, according to accounting criteria in IFRS 10, the Company is still viewed as effectively exercising control over Focus, and therefore the accounts of Focus continue to be consolidated with those of the Company.

c. On February 20, 2019, IMC founded IMC – International Medical Cannabis Portugal Unipessoal Lda., a 100% owned subsidiary aimed at obtaining a license to cultivate medical cannabis in Portugal.

NOTE 20:- SUBSEQUENT EVENTS (Cont.)

d. On March 15, 2019, IMC acquired a German company Adjupharm GmbH (“Adjupharm”), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm’s issued and outstanding shares for €924 thousand (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 thousand (approximately $1,030). As of the approval date of the financial statements these bank loans were repaid by the Company. The Company is in the process of identifying and measuring the assets and liabilities of Adjupharm.

Recognizing Germany as the largest and most advanced market in Europe, Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

e. Through the consolidated financial statements approval date, IMC issued 1,206,000 share options to its employees and consultants in accordance with the 2018 Plan, of which 430,000 share options were granted to key management employees, at an exercise price of $4 (see Note 15c).

f. On May 21, 2019, IMC has entered into a supply agreement with an international pharmaceutical company based in Spain (the "Spanish company" or "Spanish cultivator"). The Spanish company specializes in research and development, breeding, cultivation, extraction, purification and preparation of Narcotic Raw Materials ("NRMs") and Active Pharmaceutical Ingredients ("APIs") and hold the necessary Spanish regulatory approvals to operate in this field.

Under the agreement the Spanish cultivator shall work according with IMC's strains know-how and quality procedures. The products will be distributed to the German market as well as other European markets through the Company's wholly-owned EU GMP and distribution facility Adjupharm GmbH.

g. In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on 29 August, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a “Subscription Receipt”) of a wholly owned subsidiary of Navasota (“Finco”) at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the “Financing”). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a “Finco Unit”) with each Finco Unit being comprised of one (1) common share of Finco (a “Finco Share”) and one-half (1/2) of one (1) common share purchase warrant of Finco (a “Finco Warrant”). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

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Financial statements

FOCUS MEDICAL HERBS LTD

December 31, 2017 and 2016

FOCUS MEDICAL HERBS LTD

INDEPENDENT AUDITORS' REPORT TO SHAREHOLDERS OF FOCUS MEDICAL HERBS LTD

We have audited the accompanying statements of financial position of Focus Medical Herbs Ltd. ("the Company") as of December 31, 2017 and 2016, and the related statements of income and other comprehensive income, changes in equity and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presented fairly, in all material respects, the financial position of Focus Medical Herbs Ltd. as at December 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Sincerely,
Hendeles, Goldshtein, Felix & Co.
Certified Public Accountants

Tel-Aviv, Israel
July 5, 2018

Statements of financial position

[expresses in Canadian Dollars in thousands]

	Note	For 31 December 2017	2016
		CAD in thousands	
Assets			
Fixed Assets			
Cash and cash equivalent		$ 239	$ 136
Customers and credit card receivables		149	90
Other accounts receivables		1,290	193
Inventory	4	1,446	1,113
		3,124	1,532
Fixed Assets, Net	5	519	167
		3,643	1,699
Liabilities and equity			
Current Liabilities			
Suppliers		203	115
Checks redeemable		22	40
Related parties		705	-
Accounts payable	6	465	218
		1,395	373
Long-term Liabilities			
Liabilities for end of employer-employee relationship		192	117
Deferred tax liability		259	174
		451	291
Capital and Surplus			
Share capital	7	(*	(*
Balance of surplus		1,760	1,048
Capital reserve from translation difference		37	(13)
		1,797	1,035
		$ 3,643	$ 1,699

*) Represents an amount of less than 1$.

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Director............................

Statements of net income and comprehensive income

[expresses in Canadian Dollars in thousands]

	Note	For the Year Ending On 31 December 2017	2016
		CAD in thousands	
Income		$ 4,393	$ 2,477
Operating expenses	8	1,968	642
Gross profit before the undernoted		2,425	1,835
Realized fair value adjustment on inventory sold in the period		(745)	(351)
Unrealized gain on changes in fair value of biological assets transferred to inventory upon harvest		1,123	713
Gross profit		2,803	2,197
Administrative and general expenses	9	1,593	716
Selling expenses		216	510
Operating profit		994	971
Financing expenses, net		26	21
Profit before tax		968	950
Income tax		241	245
Net profit for the year		$ 727	$ 705

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

[expressed in Canadian Dollars in thousands]

	For 31 December 2017	2016
	CAD in thousands	
Cash flows from current activities		
Net profit for the year	$ 727	$ 705
Adjustments required to present cash flows from current activities:		
Other – see Appendix A below	(202)	(634)
Net cash derived from current activities	525	71
Cash flows from current activities		
Acquisition of fixed assets	(426)	(26)
Net cash (used) for investment activities	(426)	(26)
Cash flow from financing activities		
	-	-
Net cash (used) for financing activities	-	-
Effect of foreign exchange on cash and cash equivalent	4	2
Increase in cash and cash equivalents	103	47
Retained cash and cash equivalents for the start of the period	136	89
Retained cash and cash equivalents for the end of the period	$ 239	$ 136

Statements of cash flows

[expressed in Canadian Dollars in thousands]

	For the Year Ending On 31 December 2017	For the Year Ending On 31 December 2016
	CAD in thousands	
Appendix A – Adjustments required to present cash flows from current activities		
Non-cash flow expenses:		
Unrealized gain on changes in fair value of biological assets	$ (1,123)	$ (713)
Fair value adjustment on sale of inventory	745	351
Depreciation	81	48
Increase in reserve for end of employer-employee relationship	107	71
Deferred tax expenses, net	80	171
	(110)	(72)
Changes in non-cash working capital:		
Decrease (Increase) in trade receivables	93	(27)
(Increase) in other accounts receivables	(467)	(142)
Decrease in biological assets, net of fair value adjustment	1,123	713
(Increase) in inventory, net of fair value adjustments	(1,043)	(1,056)
(Increase) in related parities loans	(705)	(164)
Increase in suppliers and checks redeemable	66	44
Increase in accounts payable	918	107
	(15)	(525)
Taxes paid	(77)	(37)
Total adjustments:	$ (202)	$ (634)

Notes to the Financial Statements

1. Nature of business

Focus Medical Herbs Ltd ("Focus") was incorporated under the laws of Israel on February 3, 2010 as a private Company. The head office and principal business address of the Company is Kibutz Glil-Yam, Israel and the Company's production is in Sdeh-Abraham.

On January 17, 2011, Focus received its first site license for its Sdeh-Abraham location from the Israeli Medical Cannabis Agency (the "IMCA") for Medical Purposes Regulations. Focus received an updated license (the "License") under the IMCA on April 3, 2018, which expires on September 30, 2018.

The Company's head office is located at Kibutz Glil- Yam, Israel.

2. Basis of presentation

[a] Statement of compliance

These financial statements ["financial statements"] have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on July 5, 2018.

[b] Basis of measurement

These financial statements have been prepared on a historical cost basis except for biological assets that are presented at fair value less cost to sell up to the point of harvest. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but, are not fair value, such as net realizable value in IAS 2 – *Inventories* or value in use in IAS 36 - *Impairment of Assets*.

[c] Functional currency and presentation currency

These financial statements are presented in Canadian Dollars ["CAD"], which is the Company's presentation currency. The Company's functional currency is the New Israeli Shekel ["NIS"].

[d] Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Estimated useful lives, residual values and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Valuation of the fair value less costs to sell of biological assets and agricultural produce

Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less costs to sell up to the point of harvest. The determination of the fair values of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value. These assumptions primarily relate to the level of effort required to bring the biological assets up to the point of harvest, costs to convert the harvested medical cannabis to finished goods and sell, sales price, risk of loss and expected yield from the medical cannabis plants.

3. Significant accounting policies

[a] Cash

Cash includes unrestricted short-term bank deposits.

[b] Foreign currency translation

Foreign currency transactions are translated into CAD at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into CAD at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the statements of net income and comprehensive income.

[c] Biological assets

While the Company's biological assets are within the scope of IAS 41 - *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 *Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labor for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' on the statement of net income and comprehensive income in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the statement of net income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

[d] Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the statement of net income and comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the face of the statement of net income and comprehensive income. Inventory is measured at lower of cost or net realizable value on the statement of financial position.

[e] Property, plant and equipment

The Company's property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost includes the cost of materials and direct labor, site preparation costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes any applicable borrowing costs. Borrowing costs are capitalized to property, plant and equipment until such time that the constructed asset is substantially complete and ready for its intended use.

Depreciation is recorded over the estimated useful lives as outlined below:

Building and improvements	5-25 years
Production equipment	5 years
Computer equipment	3 years
Vehicles	5-7 years
Fencing	8 years
Furniture and fixtures	3-5 years

The Company assesses an asset's residual value, useful life and depreciation method at each financial year-end and makes adjustments if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the statements of net income and comprehensive income.

[f] Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[g] Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at its inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee, in which case the lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statements of net income and comprehensive income.

Operating lease payments are recognized as an operating expense in the statements of net income and comprehensive income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

[h] Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the statements of net income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition [other than in a business combination] of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates [and tax laws] that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

[i] Net income per share

The Company presents basic and diluted net income per share data for its common shares. Basic net income per share is calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted net income per share is determined by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. There were no dilutive potential common shares outstanding for the years ended December 31, 2017 and 2016.

[j] Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as loans and receivables, fair value through profit or loss, available-for-sale financial assets or held-to-maturity financial assets.

The Company does not have assets that would be classified as fair value through profit or loss, available-for-sale financial assets or held-to-maturity financial assets. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification	
Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Related party receivables	Loans and receivables
Trade payables	Other liabilities
Accrued liabilities	Other liabilities

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument’s original effective interest rate are lower than the asset’s carrying amount. When an impairment has been identified, the financial asset’s carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

[k] Employee related benefits

Severance pay:

The Company's liability for severance pay with respect to its Israeli employees for periods prior to April 1, 2007 (the "Transition Date") is calculated pursuant to the Israeli Severance Pay Law – 1963 ("ISP Law"), based on the most recent salary of the employees multiplied by the number of years of employment as of the Transition Date. The Company recorded as expenses the increase in the severance liability, net of earnings (losses) from the related investment fund. Israeli employees were entitled to one month's salary for each year of employment, or a portion thereof. Until the Transition Date, the Company's liability was partially funded by monthly payments deposited with insurers; any unfunded amounts would be paid from operating funds and are covered by a provision established by the Company.

The carrying value of the deposited funds for the Company's Israeli employee’s severance pay for employment periods prior to the Transition Date include profits and losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the ISP Law or employment agreements.

Effective as of the Transition Date, the Company's agreements with employees in Israel are in accordance with Section 14 of the ISP Law which provide that the employer's contributions to severance pay fund shall cover its entire severance obligation with respect to period of employment subsequent to the Transition Date. Upon termination, the release of the contributed amounts from the fund to the employee shall relieve the employer from any further severance obligation and no additional payments are required to be made by the employer to the employee. As a result, the related obligation and amounts deposited in respect of such obligation are not stated on the balance sheets, as the employer is legally released from severance obligation to employees once the amounts have been fully deposited, and the Company has no legal ownership in the amounts deposited. Consequently, effective from the Transition Date, the Company increased its contribution to the deposited funds to cover the full amount of the employees' salaries.

[l] Segment reporting

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as the Chief Executive Officer. The Company has a single operating and reportable segment.

[m] New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the year ended December 31, 2017 had no material impact on the financial statements:

IAS 7 – Statement of Cash Flows ["IAS 7"]

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments to IAS 7 did not have any significant impact on the Company's financial statements for the year ended December 31, 2017.

IAS 12 – Income Taxes ["IAS 12"]

IAS 12 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. The amendments to IAS 12 did not have any significant impact on the Company's financial statements for the year ended December 31, 2017.

[n] New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 9 - Financial Instruments ["IFRS 9"]

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

[ii] IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company is in the process of evaluating the impact of IFRS 15 on the Company's financial statements.

[iii] IFRS 16 - Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[iv] IFRIC 23 – Uncertainty over Income Tax Treatment ["IFRIC 23"]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

4. Inventory

Inventories as at December 31, 2017 and 2016 is comprised of:

	2017	2016
	$	$
Finished goods - dry cannabis	1,385	1,108
Finished goods - cannabis oil	31	5
Work-in progress - dry cannabis	30	-
	1,446	1,113

Inventory includes the fair value of biological assets at the time of harvest. As at December 31, 2017 and 2016, the fair value of biological assets included in inventory is 1,127 thousand CAD and 725 thousand CAD, respectively.

5. Property, plant and equipment

	Production equipment	Greenhouse Structure	Vehicles	Total
Cost	$	$	$	$
As at December 31, 2015	203	110	-	313
Additions	52	36	-	88
Foreign currency translation	4	20	-	24
As at December 31, 2016	**259**	**166**	**-**	**425**
Additions	211	198	18	427
Foreign currency translation	9	6	0	15
As at December 31, 2017	**479**	**370**	**18**	**867**

	Production equipment	Greenhouse Structure	Vehicles	Total
Accumulated depreciation	$	$	$	$
As at December 31, 2015	132	36	-	168
Depreciation	27	16	-	43
Foreign currency translation	29	18	-	47
As at December 31, 2016	**188**	**70**	**-**	**258**
Depreciation	45	34	2	81
Foreign currency translation	6	3	0	9
As at December 31, 2017	**239**	**107**	**2**	**348**

	Production equipment	Greenhouse Structure	Vehicles	Total
Net book value	$	$	$	$
As at December 31, 2016	71	96	-	167
As at December 31, 2017	240	263	16	519

6. Accrued liabilities

Accrued liabilities as at December 31, 2017 and 2016 is comprised of:

	2017	2016
	$	$
Accrued payroll	91	55
VAT	97	5
Government taxes	226	127
Reserve for vacation	16	11
Others	35	20
	465	218

7. Share capital

The authorized share capital of the Company consists of an unlimited number of common shares. As at December 31, 2017 and 2016, 10,000 shares have been issued and outstanding.

8. Cost of sales

Components of cost of sales for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
	$	$
Production employees salaries	903	604
Transport & Security	594	77
Maintenance	198	165
Professional consultation	114	91
Depreciation expense	79	48
Inventory at the beginning of the period [excluding fair value adjustments on biological assets]	398	38
Inventory at the end of the period [excluding fair value adjustments on biological assets]	-318	-381
	1,968	642

9. General and administrative expenses

Components of general and administrative expenses for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
	$	$
Management fees	962	145
Administrative employees' salaries	211	260
Insurance	4	3
Professional services	27	19
Vehicle maintenance	47	48
Rent	45	58
Bad debts	6	6
Communication	4	5
Maintenance	43	-
Training	-	1
Office	187	136
Overseas travel	26	4
Transportation	4	3
Hospitality and refreshments, fines and gifts	27	24
Taxes and fees	0	4
	1,593	716

10. Commitments and contingencies

Commitments

Year	$
2017	113
2018	113
2019	113
2020	100
2021	100
Thereafter	100
	638

The Company has production facilities under operating lease arrangements until fiscal 2029 as well as administrative offices under operating lease arrangements until 2019. The Company has the right under a production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next five years and thereafter until the termination of the leasing arrangement.

Contingencies

In the ordinary course of business, from time to time the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

On November 3, 2016, a claim was commenced against the Company and 7 other medical cannabis growers in Israel regarding the quality of the product. Due to the early stage of the claim and the uncertainty of timing and the amount of estimated future cash outflows relating to this claim, no provision had been recognized.

11. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Directors.

Compensation expense for the Company's key management personnel for the years ended December 31, 2017 and 2016 is as follows:
In 2017, a bonus of 705 thousand CAD was distributed to the significant shareholders of the Company.

A loan was given to a related Company in the amount of 30 thousand CAD.

12. Capital management

The Company considers its capital to consist of share capital, contributed surplus, borrowings, and deficit. The Company's objectives when managing capital are to ensure that it can provide products to its customers and returns to its shareholders.
The Company manages its capital structure and makes adjustments to it, based on funds available to the Company, in order to fund its operations and the purchase and construction of its growing facility. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.
Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change in how the Company defines or manages capital in the year.
The Company is not subject to externally imposed capital requirements and the Company's overall strategy and objectives with respect to capital risk management remained unchanged for the year ended December 31, 2017.

13. Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at December 31, 2017, no customer represented greater than 10% of the outstanding receivable balance.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The Company has no allowance for doubtful accounts as at December 31, 2017 and there have been no significant changes to the allowance during the year.

The aging of trade and other receivables is as follows:

	2017	**2016**
Due within:	**$**	**$**
30 days	149	90
30 to 60 days	-	-
60 to 90 days	-	-
90 to 120 days	-	-
> 120 days	-	-
Total	149	90

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2
	$	$	$	$
Trade payables	225	225	225	-
Accrued liabilities	466	466	466	-
	690	690	690	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in NIS, which is also the Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at December 31, 2017 as the interest rate on the convertible debentures is fixed at 8% per annum.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash, trade and other receivables, trade payables and accrued liabilities approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels.

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APPENDIX D

MD&A OF THE COMPANY

NAVASOTA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JULY 31, 2019

1.1 Date

The following discussion and analysis, prepared as of September 24, 2019 should be read together with the audited consolidated financial statements for the three month period ending July 31, 2019 and years ended April 30, 2019 and 2018 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Navasota is available for view on SEDAR at www.sedar.com. See also "Risk Factors" and "Forward Looking Statements" below.

1.2 Company Overview

Effective July 12, 2013 in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company effected a consolidation of its issued securities on a ten old for one new basis and, at the open of trading on July 12, 2013, the Company's common shares commenced trading on the TSX Venture Exchange on a 10:1 post-consolidated basis under the name Navasota Resources Inc. and under the trading symbol "NAV".

On February 28, 2007, Navasota signed an option agreement with La Société AMIG Mining International S.A.R.L. ("AMIG") and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. Effective March 26, 2009, AMIG changed its name to Société AMIG Navasota Mining International S.A.R.L. On December 18, 2009, Navasota entered into an amending agreement with AMIG Navasota Mining International S.A.R.L. ("AMIG"), African Mining International S.A.R.L. ("AMSI") and its shareholders pursuant to which Navasota made a payment of US$350,000 to AMSI thereby increasing its ownership of AMIG from 45% to 51%. Navasota retains the right to earn a 100% interest in AMIG by paying US$15,000,000 (US$150,000 deposit paid) and issuing 300,000 of its common shares to the shareholders of AMIG. AMSI is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covered two contiguous areas aggregating 1,064 square kilometers, located in the prefectures of Télemélé (Koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with Article 25 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 square kilometers. The new permit was extended to December 26, 2013. On October 30, 2013, the Minister of Mines and Geology of the Republic of Guinea granted an eight month extension to the Koba-Koumbia permit.

As noted below, during the years ended April 30, 2014 and 2013, the Company's management reviewed the Koba/Koumbia bauxite property interest and recognized an impairment to a nominal value of one dollar relating to uncertainty of the Company being able to realize the carrying value of the asset.

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

1.3 Management & Directors

STEVEN MINTZ, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER – Mr. Mintz was appointed as Chief Financial Officer of the Company on May 16, 2018 and CHIEF EXECUTIVE OFFICER on October 12, 2018. Mr. Mintz went into public accounting for a large accounting firm from 1989 until 1992. He obtained his C.A. designation in June of 1992 and his Trustee in Bankruptcy license in 1995. In June 1992, he became employed by a boutique bankruptcy and insolvency firm where he was employed until January 1997 at which time he became a self-employed financial consultant serving both private individuals and companies as well as public companies in a variety of industries including mining, oil and gas, real estate, and investment strategies.

NAVJIT DHALIWAL, CPA, CA, DIRECTOR – Mr. Dhaliwal was appointed as Chief Financial Officer and Director of the Company on March 10, 2017. Mr. Dhaliwal has been in the finance, accounting and taxation fields for over a decade. Previously working in large accounting firms and national real estate organizations in Toronto. Mr. Dhaliwal has received his Chartered Accountant designation in 2010 and for the past year and a half has been a partner at ND LLP, a Chartered Accountancy firm operating nationally. Mr. Dhaliwal holds a Bachelors in Mathematics and Masters in Accountancy form the University of Waterloo. On May 16, 2018, Mr. Dhaliwal resigned as CFO and will continue to act as director of the Company.

BALU GOPALAKRISHNAN, DIRECTOR – Mr. Gopalakrishnan was appointed as Director of the Company on July 31, 2018. Mr. Gopalakrishnan is a Chartered Accountant with significant public company experience, including more than six years with XCEED Mortgage Corporation, where he gained significant experience preparing the company's annual and quarterly consolidated financial statements, Management Discussion and Analysis (MD&A) for quarterly and annual regulatory filings in accordance with International Financial Reporting Standards.

1.4 Selected Annual Information

The following operations information is for the preceding three years ended April 30,

	2019	2018	2017
	$	$	$
Total assets	37,002	9,143	276
Revenue	-	-	-
Net loss for the year	(122,668)	(124,970)	(15,750)
Basic and diluted loss per share	(0.02)	(0.06)	(0.01)

1.5 Performance Summary and Result of Operations

The Company had net loss of $440 for the three month period ended July 31, 2019 compared to a net loss of $60,985 in 2018. The accumulated deficit from inception of the Company is $ 29,046,209 compared to $28,894,086 in 2018. This cumulate deficit and comparative figure for 2018 has been updated for the non-controlling interest portion.

(i) Professional fees of $nil for the period ended July 31, 2019 decreased from $24,725 in 2018. The decrease was due to more work completed on prior year investor relations activities such as the process of removing the cease trade order.

(ii) Filing fees of $422 for the period ended July 31, 2019 decreased from $6,397 in 2018 for the same reason.

(iii) Management fees of $nil for the period ended July 31, 2019 decreased from $29,798 in 2018. The decrease was due to managerial payment to the former officers and directors of the Company during the prior fiscal period.

(v) General and administration expense of $nil for the period ended July 31, 2019 decreased from $21 in 2018. The decrease was due to a decrease in the Company's activities during the fiscal period.

The Company's cash balance as at of July 31, 2019 was $41,110 versus $6,789 in 2018, and had a negative working capital of $215,087 at July 31, 2019 versus $214,648 as at April 30, 2019.

1.6 Summary of Quarterly Results

For the quarter ended July 31, 2019, the Company incurred a net operating loss of $440 compared to a net operating loss of $60,985 for the prior year comparative quarter. The decrease in loss in this quarter is related to management fees, professional fees and filing fees in relation to lifting the British Columbia Securities Commission cease order during the quarter ended July 31, 2018. The results of the last eight quarters are noted below:

	July 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 31, 2018	Jan 31, 2018	Oct 31, 2017
	$	$	$	$	$	$	$	$
Total Revenue	-	-	-	-	-	-	-	-
Net loss	(440)	(27,353)	(7,398)	(26,932)	(60,985)	(92,561)	(20,443)	(10,380)
Basic and diluted loss per share	(0.00)	(0.00	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)	(0.01)

1.7 Liquidity/Capital Resources

The Company reported a negative working capital of $215,087 as at July 31, 2019.

Financial and business risks

The Company requires additional funding to continue its operations. Management plans to raise additional funds through equity financings to continue to finance its operations over the next 12 months after removing the cease trade order. These conditions create material uncertainty that cast significant doubt about the Company's ability to continue on a going concern basis. The Company's ability to continue as a going concern is dependent on the Company's ability to raise additional. If the Company is unable to raise additional funds, the going concern assumption may not be valid. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company currently has no operations that generate cash flow.

The Company is exposed to a variety of financial risks by virtue of its activities. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

The Company's financial instruments consist of cash, due to related parties, and accounts payable. The carrying value of these financial instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on an ongoing basis and has established policies and procedures to mitigate such risks. The Company is not exposed to interest risk as it does not hold any interest bearing debt.

(a) Market risk:
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of: foreign currency risk, and interest rate risk.

Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specified term of repayment.

(c) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit or in a trust account with the company's legal counsel and may be redeemed upon demand. The total gross exposure as at July 31, 2019 is not significant.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

Due to related parties include loans and services received and unpaid from the directors of the Company (the "Directors") and companies controlled by the Directors (the "Related Party Lenders"). Due to related parties are non-interest bearing, unsecured and have no specified terms for repayment. During the year end April 30, 2019, the balance due to related party for $210,801 as of April 30, 2018 was settled by the Company through the issuance of common shares.

Management fees consist of fees paid to companies controlled by the CEO and CFO of the Company (for comparative purposes, former CEO and former CFO).

	July 31, 2019	**July 31, 2018**
	$	**$**
Management fee from CEO	-	21,103
Management fee from former CEO	-	-
Management fee from CFO	-	-
Management fee from Director	-	2,500
Management fee from former Director	-	-
Professional fees from CFO	-	6,195
	-	**29,798**

The Company had the following outstanding as at July 31, 2019 and 2018 with related parties:

	July 31, 2019	**July 31, 2018**
	$	**$**
Due to related parties	743	210,801
	743	**210,801**

1.10 Other Significant Events

On June 25, 2018, the Company announced it entered into a letter of intent with Isreal-based I.M.C. Holdings Ltd. whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry.

The completion of this transaction is subject to a number of conditions, including but not limited to the following:

- the execution of a definitive agreement;
- completion of mutually satisfactory due diligence;
- completion of the Share Consolidation; and
- receipt of all required regulatory, corporate and third party approvals, including approvals by governing regulatory bodies, the shareholders of Navasota, applicable Israeli governmental authorities, and the fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

As of September 24, 2019 this transaction had not yet been completed. Management anticipates closing this transaction in the upcoming fiscal year.

1.11 Proposed Transactions

There are no other transactions that are currently under negotiation or proposed to be entered into.

1.12 Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

1.13 Financial Instruments and Other Instruments

The carrying amounts of cash, due to related parties, and accounts payable approximate fair value because of the short-term maturity of these items.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Data

Summary of Outstanding Share Data as of July 31, 2019 and as of July 31, 2018:

i. Authorized and issued share capital:

			Issued and Outstanding	
Class	Par Value	Authorized	July 31, 2019	July 31, 2018
Common	Nil	Unlimited	9,778,686	9,778,686

ii. There were 2,000,000 warrants outstanding as of July 31, 2019 and as of July 31, 2018.

iii. There were nil stock options outstanding as of July 31, 2019 and 70,000 as of July 31, 2018.

Additional Information

Additional disclosures pertaining to the Company’s material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

NAVASOTA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2019

1.1 Date

The following discussion and analysis, prepared as of August 29, 2019 should be read together with the audited consolidated financial statements for the years ended April 30, 2019 and 2018 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Navasota is available for view on SEDAR at www.sedar.com. See also "Risk Factors" and "Forward Looking Statements" below.

1.2 Company Overview

Effective July 12, 2013 in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company effected a consolidation of its issued securities on a ten old for one new basis and, at the open of trading on July 12, 2013, the Company's common shares commenced trading on the TSX Venture Exchange on a 10:1 post-consolidated basis under the name Navasota Resources Inc. and under the trading symbol "NAV".

On February 28, 2007, Navasota signed an option agreement with La Société AMIG Mining International S.A.R.L. ("AMIG") and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. Effective March 26, 2009, AMIG changed its name to Société AMIG Navasota Mining International S.A.R.L. On December 18, 2009, Navasota entered into an amending agreement with AMIG Navasota Mining International S.A.R.L. ("AMIG"), African Mining International S.A.R.L. ("AMSI") and its shareholders pursuant to which Navasota made a payment of US$350,000 to AMSI thereby increasing its ownership of AMIG from 45% to 51%. Navasota retains the right to earn a 100% interest in AMIG by paying US$15,000,000 (US$150,000 deposit paid) and issuing 300,000 of its common shares to the shareholders of AMIG. AMSI is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covered two contiguous areas aggregating 1,064 square kilometers, located in the prefectures of Télemélé (Koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with Article 25 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 square kilometers. The new permit was extended to December 26, 2013. On October 30, 2013, the Minister of Mines and Geology of the Republic of Guinea granted an eight month extension to the Koba-Koumbia permit.

As noted below, during the years ended April 30, 2014 and 2013, the Company's management reviewed the Koba/Koumbia bauxite property interest and recognized an impairment to a nominal value of one dollar relating to uncertainty of the Company being able to realize the carrying value of the asset.

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

1.3 Management & Directors

STEVEN MINTZ, CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER – Mr. Mintz was appointed as Chief Financial Officer of the Company on May 16, 2018 and CHIEF EXECUTIVE OFFICER on October 12, 2018. Mr. Mintz went into public accounting for a large accounting firm from 1989 until 1992. He obtained his C.A. designation in June of 1992 and his Trustee in Bankruptcy license in 1995. In June 1992, he became employed by a boutique bankruptcy and insolvency firm where he was employed until January 1997 at which time he became a self-employed financial consultant serving both private individuals and companies as well as public companies in a variety of industries including mining, oil and gas, real estate, and investment strategies.

NAVJIT DHALIWAL, CPA, CA, DIRECTOR – Mr. Dhaliwal was appointed as Chief Financial Officer and Director of the Company on March 10, 2017. Mr. Dhaliwal has been in the finance, accounting and taxation fields for over a decade. Previously working in large accounting firms and national real estate organizations in Toronto. Mr. Dhaliwal has received his Chartered Accountant designation in 2010 and for the past year and a half has been a partner at ND LLP, a Chartered Accountancy firm operating nationally. Mr. Dhaliwal holds a Bachelors in Mathematics and Masters in Accountancy form the University of Waterloo. On May 16, 2018, Mr. Dhaliwal resigned as CFO and will continue to act as director of the Company.

BALU GOPALAKRISHNAN, DIRECTOR – Mr. Gopalakrishnan was appointed as Director of the Company on July 31, 2018. Mr. Gopalakrishnan is a Chartered Accountant with significant public company experience, including more than six years with XCEED Mortgage Corporation, where he gained significant experience preparing the company's annual and quarterly consolidated financial statements, Management Discussion and Analysis (MD&A) for quarterly and annual regulatory filings in accordance with International Financial Reporting Standards.

1.4 Selected Annual Information

The following operations information is for the preceding three years ended April 30,

	2019	2018	2017
	$	$	$
Total assets	37,002	9,143	276
Revenue	-	-	-
Net loss for the year	(122,668)	(124,970)	(15,750)
Basic and diluted loss per share	(0.02)	(0.06)	(0.01)

1.5 Performance Summary and Result of Operations

The Company had net loss of $122,668 for the year ended April 30, 2019 compared to a net loss of $124,970 in 2018. The accumulated deficit from inception of the Company is $ 29,045,769 compared to $28,923,101 in 2018. This cumulate deficit and comparative figure for 2018 has been updated for the non-controlling interest portion.

(i) Professional fees of $57,326 for the year ended April 30, 2019 decreased from $59,997 in 2018. The decrease was due to more work completed on prior year investor relations activities such as the process of removing the cease trade order.

(ii) Filing fees of $29,127 for the year ended April 30, 2019 decreased from $43,659 in 2018 for the same reason.

(iii) Management fees of $30,603 for the year ended April 30, 2019 increased from $18,854 in 2018. The increase was due to managerial payment to the officers and directors of the Company during the fiscal year.

(iv) Rent expense of $nil for the year ended April 30, 2019 decreased from $1,500 in 2018. The decrease was due to no longer renting an office space.

(v) General and administration expense of $370 for the year ended April 30, 2019 decreased from $895 in 2018. The decrease was due to a decrease in the Company’s activities during the fiscal year.

The Company’s cash balance as at of April 30, 2019 was $37,002 versus $4,026 in 2017, and had a negative working capital of $214,648 at April 30, 2019 versus $456,843 in 2018. The fluctuations are caused by the closing of financing during the year.

1.6 Summary of Quarterly Results

For the quarter ended April 30, 2019, the Company incurred a net operating loss of $27,353 compared to a net operating loss of $92,561 for the prior year comparative quarter. The decrease in loss in this quarter is related to management fees, professional fees and filing fees in relation to lifting the British Columbia Securities Commission cease order during the quarter ended April 30, 2018. The results of the last eight quarters are noted below:

	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018	Jul 31, 2018	Apr 31, 2018	Jan 31, 2018	Oct 31, 2017	Jul 31, 2017
	$	$	$	$	$	$	$	$
Total Revenue	-	-	-	-	-	-	-	-
Net loss	(27,353)	(7,398)	(26,932)	(60,985)	(92,561)	(20,443)	(10,380)	(1,586)
Basic and diluted loss per share	(0.00	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)	(0.01)	(0.00)

1.7 Liquidity/Capital Resources

The Company reported a negative working capital of $214,648 as at April 30, 2019.

Financial and business risks

The Company requires additional funding to continue its operations. Management plans to raise additional funds through equity financings to continue to finance its operations over the next 12 months after removing the cease trade order. These conditions create material uncertainty that cast significant doubt about the Company's ability to continue on a going concern basis. The Company's ability to continue as a going concern is dependent on the Company's ability to raise additional. If the Company is unable to raise additional funds, the going concern assumption may not be valid. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company currently has no operations that generate cash flow.

The Company is exposed to a variety of financial risks by virtue of its activities. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

The Company's financial instruments consist of cash, due to related parties, and accounts payable. The carrying value of these financial instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on an ongoing basis and has established policies and procedures to mitigate such risks. The Company is not exposed to interest risk as it does not hold any interest bearing debt.

(a) Market risk:
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of: foreign currency risk, and interest rate risk.

Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specified term of repayment.

(c) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit or in a trust account with the company's legal counsel and may be redeemed upon demand. The total gross exposure as at April 30, 2019 is not significant.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

Due to related parties include loans and services received and unpaid from the directors of the Company (the "Directors") and companies controlled by the Directors (the "Related Party Lenders"). Due to related parties are non-interest bearing, unsecured and have no specified terms for repayment. During the year end, the balance due to related party for $210,801 as of April 30, 2018 was settled by the Company through the issuance of common shares.

Management fees consist of fees paid to companies controlled by the CEO and CFO of the Company.

	April 30, 2019	April 30, 2018
	$	$
Management fee from CEO	-	11,854
Management fee from former CEO	21,103	-
Management fee from CFO	-	5,000
Management fee from Director	7,000	2,000
Management fee from former Director	2,500	-
Professional fees from CFO	-	15,750
	30,603	**34,604**

The Company had the following outstanding as at April 30, 2019 and 2018 with related parties:

	April 30, 2019	April 30, 2018
	$	$
Due to related parties	743	210,801
	743	**210,801**

1.10 Other Significant Events

On June 25, 2018, the Company announced it entered into a letter of intent with Isreal-based I.M.C. Holdings Ltd. whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry.

The completion of this transaction is subject to a number of conditions, including but not limited to the following:

- the execution of a definitive agreement;
- completion of mutually satisfactory due diligence;
- completion of the Share Consolidation; and
- receipt of all required regulatory, corporate and third party approvals, including approvals by governing regulatory bodies, the shareholders of Navasota, applicable Israeli governmental authorities, and the fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

As of August 27, 2019 this transaction had not yet been completed. Management anticipates closing this transaction in the upcoming fiscal year.

1.11 Proposed Transactions

There are no other transactions that are currently under negotiation or proposed to be entered into.

1.12 Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

1.13 Financial Instruments and Other Instruments

The carrying amounts of cash, due to related parties, and accounts payable approximate fair value because of the short-term maturity of these items.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Data
Summary of Outstanding Share Data as of April 30, 2019 and as of April 30, 2018:

i. Authorized and issued share capital:

			Issued and Outstanding	
Class	Par Value	Authorized	April 30, 2019	April 30, 2018
Common	Nil	Unlimited	9,778,686	4,066,026

ii. There were 2,000,000 warrants outstanding as of April 30, 2019 and as of April 30, 2018.

iii. There were nil stock options outstanding as of April 30, 2019 and 70,000 as of April 30, 2018.

iv. On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

v. During the fiscal year ended April 30, 2019 the Company settled related party debt in exchange for 5,712,660 common shares.

vi. During the year ended April 30, 2019 shareholders of the company contributed $79,230 to the company. This was recorded as contributed surplus in the statement of shareholders deficit.

Additional Information

Additional disclosures pertaining to the Company’s material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

NAVASOTA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2018

1.1 Date

The following discussion and analysis, prepared as of August 21, 2018 should be read together with the audited consolidated financial statements for the year ended April 30, 2018 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should also refer to the annual audited consolidated financial statements for the years ended April 30, 2017 and 2016, and the relevant Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Navasota is available for view on SEDAR at www.sedar.com. See also "Risk Factors" and "Forward Looking Statements" below.

1.2 Company Overview

Effective July 12, 2013 in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company effected a consolidation of its issued securities on a ten old for one new basis and, at the open of trading on July 12, 2013, the Company's common shares commenced trading on the TSX Venture Exchange on a 10:1 post-consolidated basis under the name Navasota Resources Inc. and under the trading symbol "NAV".

On February 28, 2007, Navasota signed an option agreement with La Société AMIG Mining International S.A.R.L. ("AMIG") and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG. Effective March 26, 2009, AMIG changed its name to Société AMIG Navasota Mining International S.A.R.L. On December 18, 2009, Navasota entered into an amending agreement with AMIG Navasota Mining International S.A.R.L. ("AMIG"), African Mining International S.A.R.L. ("AMSI") and its shareholders pursuant to which Navasota has now made a payment of US$350,000 to AMSI thereby increasing its ownership of AMIG from 45% to 51%. Navasota retains the right to earn a 100% interest in AMIG by paying US$15,000,000 (US$150,000 deposit paid) and issuing 300,000 of its common shares to the shareholders of AMIG. AMSI is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covered two contiguous areas aggregating 1,064 square kilometers, located in the prefectures of Télemélé (Koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with Article 25 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 square kilometers. The new permit was extended to December 26, 2013. On October 30, 2013, the Minister of Mines and Geology of the Republic of Guinea granted an eight month extension to the Koba-Koumbia permit.

As noted below, during the years ended April 30, 2014 and 2013, the Company's management reviewed the Koba/Koumbia bauxite property interest and determined to recognize an impairment to a nominal value of one dollar relating to uncertainty of the Company being able to realize the carrying value of the asset.

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

1.3 Management & Directors

MICHAEL LERNER, CHIEF EXECUTIVE OFFICER, DIRECTOR – Mr. Michael Lerner has been in mining and finance for over twenty years. From 1997-2010, Mr. Lerner was an executive director institutional equities for two bank owned investment dealers (BMO Nesbitt Burns and CIBC World Markets) covering the largest money managers in the US while also managing a risk arbitrage portfolio. Mr. Lerner then joined D and D securities working on their investment banking team, with legendary trader and banker Bob Rose, completing small cap mining financings. For the last few years Mr. Lerner has been a principal of Lerner Finance Inc. helping mining issuers get re-listed and financed. Mr. Lerner hold a B.A political science from the University of Waterloo. Mr. Lerner was appointed Chief Executive Officer on January 24, 2017.

NAVJIT DHALIWAL, CPA, CA, DIRECTOR – Mr. Dhaliwal was appointed as Chief Financial Officer and Director of the Company on March 10, 2017. Mr. Dhaliwal has been in the finance, accounting and taxation fields for over a decade. Previously working in large accounting firms and national real estate organizations in Toronto. Mr. Dhaliwal has received his Chartered Accountant designation in 2010 and for the past year and a half has been a partner at ND LLP, a Chartered Accountancy firm operating nationally. Mr. Dhaliwal holds a Bachelors in Mathematics and Masters in Accountancy form the University of Waterloo. On May 16, 2018, Mr. Dhaliwal resigned as CFO and will continue to act as director of the Company.

TIM TOWERS – Mr. Towers was appointed as director on August 2, 2017. Mr. Towers has extensive experience as both a director and c-suite executive of companies in the mining sector. This change in management reflects the Company's continuing desire to strengthen its board of directors. On July 31, 2018, Mr. Towers resigned as director of the Company.

STEVEN MINTZ, CHIEF FINANCIAL OFFICER – Mr. Mintz was appointed as Chief Financial Officer of the Company on May 16, 2018. Mr. Mintz went into public accounting for a large accounting firm from 1989 until 1992. He obtained his C.A. designation in June of 1992 and his Trustee in Bankruptcy license in 1995. In June 1992, he became employed by a boutique bankruptcy and insolvency firm where he was employed until January 1997 at which time he became a self-employed financial consultant serving both private individuals and companies as well as public companies in a variety of industries including mining, oil and gas, real estate, and investment strategies.

BALU GOPALAKRISHNAN, DIRECTOR – Mr. Gopalakrishnan was appointed as Director of the Company on July 31, 2018. Mr. Gopalakrishnan is a Chartered Accountant with significant public company experience, including more than six years with XCEED Mortgage Corporation, where he gained significant experience preparing the company's annual and quarterly consolidated financial statements, Management Discussion and Analysis (MD&A) for quarterly and annual regulatory filings in accordance with International Financial Reporting Standards.

1.4 Selected Annual Information

The following operations information is for the preceding three years ended April 30,

	2018	2017	2016
	$	$	$
Total assets	9,143	276	276
Revenue	-	-	-
Net loss for the year	(124,970)	(15,750)	(45,613)
Basic and diluted loss per share	(0.06)	(0.01)	(0.02)

1.5 Performance Summary and Result of Operations

The Company had net loss of $124,970 for the year ended April 30, 2018 compared to a net loss of $15,750 in 2017. The cumulative deficit from inception of the Company is $17,114,482.

(i) Professional fees of $59,997 for the year ended April 30, 2018 increased from $10,000 in 2017. The increase was due to investor relations activities such as the process of removing the cease trade order during the fiscal year.

(ii) Filing fees of $43,659 for the year ended April 30, 2018 increased from $5,250 in 2017 for the same reason.

(iii) Management fees of $18,854 for the year ended April 30, 2018 from $nil in 2017. The increase was due to managerial payment to the officers and directors of the Company during the fiscal year.

(iv) Rent expense of $1,500 for the year ended April 30, 2018 from $nil in 2017. The increase was due to payment on rental during the fiscal year.

(v) General and administration expense of $895 for the year ended April 30, 2018 from $nil in 2017. The increase was due to increase in the Company's activities during the fiscal year.

The Company's cash balance as at of April 30, 2018 was $4,026 versus $170 in 2017, and had a negative working capital of $456,843 at April 30, 2018 versus $431,873 in 2017. The fluctuations are caused by the closing of financing during the year ended April 30, 2018.

1.6 Summary of Quarterly Results

For the quarter ended April 30, 2018, the Company incurred a net operating loss of $92,561 compared to a net operating loss of $15,750 for the prior year comparative quarter. The increase in loss in this quarter is related to management fees, professional fees and filing fees in relation to lifting the British Columbia Securities Commission cease order. The results of the last eight quarters are noted below:

	Apr 30, 2018	Jan 31, 2018	Oct 31, 2017	Jul 31, 2017	Apr 31, 2017	Jan 31, 2017	Oct 31, 2016	Jul 31, 2016
	$	$	$	$	$	$	$	$
Total Revenue	-	-	-	-	-	-	-	-
Net loss	(92,561)	(20,443)	(10,380)	(1,586)	(15,750)	-	-	-
Basic and diluted loss per share	(0.0378)	(0.0099)	(0.0050)	(0.0008)	(0.0076)	-	-	-

1.7 Liquidity/Capital Resources

The Company reported a negative working capital of $456,843 as at April 30, 2018.

Financial and business risks

The Company requires additional funding to continue its operations. Management plans to raise additional funds through equity financings to continue to finance its operations over the next 12 months after removing the cease trade order. These conditions create material uncertainty that cast significant doubt about the Company's ability to continue on a going concern basis. The Company's ability to continue as a going concern is dependent on the Company's ability to raise additional funds and finding economical reserves. If the Company is unable to raise additional funds, the going concern assumption may not be valid. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

The Company has taken numerous steps to ensure that it will continue to have adequate working capital to fund operations. The Company will delay expenditures until such time that sufficient capital exists to fund its exploration. As well, the Company has and will continue to actively seek out strategic partners on certain of its projects to ensure that they will be advanced while at the same time preserving its capital. The Company has also reviewed corporate overhead costs to allow for only essential expenditures.

The Company is exposed to a variety of financial risks by virtue of its activities. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

The Company's financial instruments consist of cash, GST receivables, due to related parties, accounts payable and accrued expenses and loan payable. The carrying value of these financial instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on an ongoing basis and has established policies and procedures to mitigate such risks. The Company is not exposed to interest risk as it does not hold any interest bearing debt.

(a) Market risk:
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk and equity price risk.

Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

Equity rate risk:
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specific term of repayment.

(c) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The total gross exposure as at April 30, 2018 is not significant.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

Due to related parties include loans and services received and unpaid from the directors of the Company (the "Directors") and companies controlled by the Directors (the "Related Party Lenders"). Due to related parties are non-interest bearing, unsecured and have no specific terms for repayment. After the year end, the balance due to related party for $208,801 was settled by the Company through the issuance of common shares.

Management fees consist of fees paid to companies controlled by the CEO and CFO of the Company.

	April 30, 2018	April 30, 2017
	$	$
Management fee from CEO	11,854	-
Management fee from CFO	5,000	-
Management fee from Director	2,000	-
Professional fees from CFO	15,750	-
	34,604	**-**

The Company had the following outstanding as at April 30, 2018 and 2017 with related parties:

	April 30, 2018	April 30, 2017
	$	$
Due to related parties	210,801	229,530
	210,801	**229,530**

1.10 Subsequent Events

As of May 16, 2018, the Company announced that Navjit Dhaliwal has resigned at CFO of the Company and has been replaced by Steven Mintz. Subject to regulatory approval, Mr. Dhaliwal will continue to act as a director of the Company.

As of June 18, 2018, the Company received the requisite shareholder approval for the voluntary delisting of its common shares from the NEX board of the TSX Venture Exchange. From June 18, 2018, the Company's common shares are not listed and posted for trading on any marketplace and there is no public liquid market to trade the common shares.

On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

On June 25, 2018, the Company completed a debt settlement in which the Company settled indebtedness of $285,633 through the issuance of 5,712,660 common shares at a deemed price of $0.05 per Debt share. Of these shares, related parties received 2,673,667 of Debt shares.

On June 25, 2018, the Company announced it entered into a letter of intent with Isreal-based I.M.C. Holdings Ltd. whereby the parties will complete a business combination by way of a transaction that will constitute a reverse takeover of the Company by IMC. The resulting issuer that will exist upon completion of the Transaction will change its business from mining to the medical cannabis industry.

The completion of this transaction is subject to a number of conditions, including but not limited to the following:

- the execution of a definitive agreement;
- completion of mutually satisfactory due diligence;
- completion of the Share Consolidation; and
- receipt of all required regulatory, corporate and third party approvals, including approvals by governing regulatory bodies, the shareholders of Navasota, applicable Israeli governmental authorities, and the fulfilment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

On July 31, 2018, the Company announced that Tim Towers has resigned as a director of the Company and has been replaced by Balu Gopalakrishnan, effective immediately.

1.11 Proposed Transactions

There are no transactions that are currently under negotiation or proposed to be entered into.

1.12 Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made

may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes
The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

1.13 Financial Instruments and Other Instruments

The carrying amounts of cash, GST receivables, due to related parties, accounts payable and accrued liabilities and loan payable approximate fair value because of the short-term maturity of these items.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Data
Summary of Outstanding Share Data as of April 30, 2018 and as of August 21, 2018:

i. Authorized and issued share capital:

			Issued and Outstanding	
Class	Par Value	Authorized	April 30, 2018	August 21, 2018
Common	Nil	Unlimited	4,066,026	9,778,686

ii. There were 2,000,000 warrants outstanding as of April 30, 2018 and as of August 21, 2018.

iii. There were 70,000 stock options outstanding as of April 30, 2018 and as of August 21, 2018.

iv. The Company closed a non-brokered private placement on April 13, 2018 of 2,000,000 units at a price of $0.05 per unit, for proceeds totaling $100,000. Each unit was comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at an exercise price of $0.10 per warrant share until April 13, 2019.

v. On June 19, 2018, the Company completed a share consolidation where outstanding common shares were consolidated on the basis of one post-consolidation common share for five pre-consolidation common shares. Following this Consolidation there was an aggregate of 4,066,026 Post-Consolidation common shares.

Additional Information

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

1.1 Date

The following discussion and analysis, prepared as of November 17, 2017 should be read together with the audited consolidated financial statements for the year ended April 30, 2017 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. The reader should also refer to the annual audited consolidated financial statements for the years ended April 30, 2016 and 2015, and the relevant Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties that could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Navasota is available for view on SEDAR at www.sedar.com. See also "Risk Factors" and "Forward Looking Statements" below.

1.2 Company Overview

Effective July 12, 2013 in connection with a share consolidation, the Company changed its name from Anglo Aluminum Corp. to Navasota Resources Inc. The Company effected a consolidation of its issued securities on a ten old for one new basis and, at the open of trading on July 12, 2013, the Company's common shares commenced trading on the TSX Venture Exchange on a 10:1 post-consolidated basis under the name Navasota Resources Inc. and under the trading symbol "NAV".

On February 28, 2007 Navasota signed an option agreement with La Société AMIG Mining International S.A.R.L. ("AMIG") and its shareholders to earn and acquire up to 100% of the issued share capital of AMIG.Effective March 26, 2009 AMIG changed its name to Société AMIG Navasota Mining International S.A.R.L. On December 18, 2009 Navasota entered into an amending agreement with AMIG Navasota Mining International S.A.R.L. ("AMIG"), African Mining International S.A.R.L. ("AMSI") and its shareholders pursuant to which Navasota has now made a payment of US$350,000 to AMSI thereby increasing its ownership of AMIG from 45% to 51%. Navasota retains the right to earn a 100% interest in AMIG by paying US$15,000,000 (US$150,000 deposit paid) and issuing 1,500,000 of its common shares to the shareholders of AMIG. AMSI is a Guinean corporation and its shareholders are residents of Conakry, Guinea, West Africa.

AMIG is the legal and recorded holder of one mineral exploration permit for two mining research licenses granted by the Ministry of Mines and Geology of the Republic of Guinea on May 10, 2006. The permit covered two contiguous areas aggregating 1,064 square kilometers, located in the prefectures of Télemélé (Koba) and Gaoual (Koumbia) (the Project), for the exploration of bauxite. The permit was initially valid for three years and has since, in accordance with Article 25 of the new mining code of the Republic of Guinea, been renewed with the permitted area being reduced by approximately 50%, resulting in a new permit comprising two licenses covering 536 square kilometers. The new permit was extended to December 26, 2013. On October 30, 2013 the Minister of Mines and Geology of the Republic of Guinea granted an eight month extension to the Koba-Koumbia permit.

1.2 Company Overview (Continued)

As noted below, during the years ended April 30, 2014 and 2013, the Company's management reviewed the Koba/Koumbia bauxite property interest and determined to recognize an impairment to a nominal value of one dollar relating to uncertainty of the Company being able to realize the carrying value of the asset.

On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4 months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015.

1.3 Management & Directors

JAMES T. GILLIS, DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER – Mr. Gillis has been the President of James T. Gillis Management Co. Inc. since 1985, a private company which provides management services to public companies. He is President and CEO and Advance Gold Corp., President of Cassidy Gold Corp., and a director of Datum Ventures Inc. and Guyana Frontier Mining Corp. James T. Gillis resigned on January 24th 2017.

RUSSELL WILLIAMS, DIRECTOR – Trained as a mechanical engineer at the University of Manchester, Mr. Williams spent 30 years with Alcoa Inc., a producer of primary aluminum, fabricated aluminum and alumina, working in a wide range of roles from engineering to maintenance and human resources. In his final three years with Alcoa, Mr. Williams was based in Pittsburgh and was President of Boke Service, the managing company of Company Bauxite de Guinee (CBG), which is the Alcoa JV in Guinea, and in that role was responsible for all activity at the operations in Guinea. Prior thereto, Mr. Williams was involved in all aspects of bauxite production for the company ranging from exploration through to project development and operations. He managed the West Australian bauxite mining operations, then had oversight of all of Alcoa's global mining activity in Brasil, Jamaica and Suriname, and during this period was responsible for the initial development of the Juruti bauxite mine in Brasil which was recently commissioned. Russell Williams resigned on January 24th, 2017.

RICHARD KOSOLOFSKI, DIRECTOR – Mr. Kosolofski is President of Mainline Roofing Co. Ltd., principle partner in Trine Investments, and owner/operator of commercial buildings throughout central interior of British Columbia. Richard Kosolofski resigned on January 24th, 2017.

MARIE CUPELLO, CORPORATE SECRETARY AND CHIEF FINANCIAL OFFICER – Ms. Cupello has approximately 18 years of experience as a bookkeeper for a wide variety of companies including junior exploration companies, a management company and a non-profit society, among others. For the past eight years, she has been head of the accounting department for a number of private companies, and several publicly listed companies including Cassidy Gold Corp. and Advance Gold Corp. Marie Cupello resigned on January 24th, 2017.

1.3 Management and Directors (Continued)

MICHAEL LERNER, CHIEF EXECUTIVE OFFICER, DIRECTOR – Mr. Michael Lerner has been in mining and finance for over twenty years. From 1997-2010 Mr. Lerner was an executive director institutional equities for two bank owned investment dealers (BMO Nesbitt Burns and CIBC World Markets) covering the largest money managers in the US while also managing a risk arbitrage portfolio. Mr Lerner then joined D and D securities working on their investment banking team, with legendary trader and banker Bob Rose, completing small cap mining financings. For the last few years Mr Lerner has been a principal of Lerner Finance Inc helping mining issuers get re listed and financed. Mr Lerner hold a B.A political science from the University of Waterloo. Mr. Lerner was appointed Chief Executive Officer on January 24th, 2017.

NAVJIT DHALIWAL, CPA,CA, CHIEF FINANCIAL OFFICER – Mr. Dhaliwal has been in the finance, accounting and taxation fields for over a decade. Previously working in large accounting firms and national real estate organizations in Toronto. Mr. Dhaliwal has received his Chartered Accountant designation in 2010 and for the past year and a half has been a partner at ND LLP, a Chartered Accountancy firm operating nationally. Mr. Dhaliwal holds a Bachelors in Mathematics and Masters in Accountancy form the University of Waterloo. Mr. Dhaliwal was appointed Chief Financial Officer on March 10th, 2017.

1.4 Selected Annual Information

The following operations information is for the preceding three years ended September 30,

	2017	**2016**	**2015**
	$	**$**	**$**
Total assets	276	276	16,101
Revenue	-	-	-
Net loss for the year	(15,750)	(45,613)	(80,049)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)

1.5 Performance Summary and Result of Operations

(a) Koba and Koumbia Bauxite Projects

During the year ended April 30, 2013, the Company’s management reviewed the Koba-Koumbia project and determined to recognize an impairment to a nominal value of one dollar of its exploration and evaluation assets relating to this property interest due to the expiration of the exploration permit on December 26, 2013, and the resulting uncertainty of the Company being able to realize the carrying value of the asset. On October 30, 2013, the Ministry granted an eight month extension to the Koba/Koumbia permit to June 30, 2014. Due to the uncertainty of the Company being able to further pursue activity on the Koba/Koumbia exploration and evaluation assets, the Company has determined there is not enough evidence to support the recoverability of the carrying value of these assets. An impairment charge was recognized during the year ended April 30, 2014 to reduce the carrying value of the assets to $1.

As noted above, On August 27, 2014, the Company received a letter from the Republic of Guinea's Minister of Mines and Geology stating that the permit will not be prolonged beyond a period of 4

1.5 Performance Summary and Result of Operations (Continued)

(a) Koba and Koumbia Bauxite Projects (continued)

months from the date of the letter and that the end of this period the Company was required to submit a feasibility study. The Company did not proceed further to this regard as a result the project is considered closed. The nominal value of $1 is kept as a current carrying value of the property was written down to $Nil in the Consolidated Statement of Loss for the year ended April 30, 2015

(b) Mamou-Dalaba Bauxite Project

Mamou-Dalaba consists of three research licenses in one exploration permit totaling 934 km2, situated in southwestern Guinea, 100 kilometers east of the capital, Conakry. The main national highway and the old Trans Guinean Railway right of way traverse the southeast corner of this permitted area. A proposed rail line from the Bellzone iron ore development to a port just south of Conakry would run less than 60 kilometers south of Mamou-Dalaba. The Mamou-Dalaba permit is in good standing until December 23, 2014. Effective April 13, 2012, Navasota transferred all of the issued and outstanding shares of its wholly owned subsidiary, Societe Guineenne de Fer et de Bauxite, a company incorporated under the laws of the Republic of Guinea and that holds the Mamou-Dalaba bauxite exploration permit, to its 67% owned subsidiary, Africa Bauxite Corporation. During the years ended April 30, 2013 and 2014, the Company's management reviewed the valuation of the MamouDalaba bauxite property interest and determined to recognize an impairment to a nominal value of one dollar of its exploration and evaluation assets relating to this exploration permit due to certain economic uncertainties relating to
this asset. On December 27, 2014 the company's last extension expired and the Kuba and Kombuia Bauxite projects permits were not re issued and all economic interest in the projects were relinquished.

The Company had net loss of $15,750 for the year ended April 30, 2017 compared to a net loss of $45,613 for year ended April 30, 2016. The cumulative deficit from inception of the Company is $28,798,131.

(i) General and administration of $15,250 for the year ended April 30, 2017 decreased from $43,956 for the year ended April 30, 2016. The decrease was due to decreased spending on investor relations activities and filing fees and lack of activity in the corporation during the fiscal year.

(ii) Exploration expenditures related directly to exploration work performed on the Company's properties. Koba and Koumbia Bauxite projects. The company spent $nil for the year ended April 30, 2017 and 2016.

The Company's cash balance at of April 30, 2017 was $170 versus $170 as at April 30, 2016, and had a negative working capital of $431,873 at April 30, 2017 versus $416,123 at April 30, 2016. The fluctuations are caused by the lack of financings and exploration expenditures incurred.

1.6/1.7 Liquidity/Capital Resources

The Company reported a negative working capital of $431,873 as at April 30, 2017.

Financial and business risks

The Company requires additional funding to continue its operations. Management plans to raise additional funds through equity financings to continue to finance its operations over the next 12 months after removing the cease trade order. These conditions create material uncertainty that cast significant doubt about the Company's ability to continue on a going concern basis. The Company's ability to continue as a going concern is dependent on the Company's ability to raise additional funds and finding economical reserves. If the Company is unable to raise additional funds, the going concern assumption may not be valid. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

The Company has taken numerous steps to ensure that it will continue to have adequate working capital to fund operations. The Company will delay expenditures until such time that sufficient capital exists to fund its exploration. As well, the Company has and will continue to actively seek out strategic partners on certain of its projects to ensure that they will be advanced while at the same time preserving its capital. The Company has also reviewed corporate overhead costs to allow for only essential expenditures.

The Company is exposed to a variety of financial risks by virtue of its activities. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

The Company's financial instruments consist of cash, GST receivables, due to related parties, accounts payable and accrued expenses and loan payable. The carrying value of these financial instruments is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

(a) Market risk:
The Company's financial instruments are exposed to a number of financial and market risks, including credit and liquidity risk. The Company does not currently have in place hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size and pattern of operations would warrant such hedging activities. The Company evaluates the key risks on

1.6/1.7 Liquidity/Capital Resources (Continued)

(a) Market risk: (continued)
an ongoing basis and has established policies and procedures to mitigate such risks. The Company is not exposed to interest risk as it does not hold any interest bearing debt.

(b) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company monitors its risk of shortage of funds by monitoring the maturity dates of accounts payable and accrued liabilities. Due to related parties has no specific term of repayment.

(c) Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

(d) Interest rate risk:
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have significant exposure to interest rate fluctuation.

(e) Equity rate risk:
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

(f) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The total gross exposure as at April 30, 2017 is not significant.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

Due to related parties include loans and services received and unpaid from the directors of the Company (the "Directors") and companies controlled by the Directors (the "Related Party Lenders"). Due to related parties are non-interest bearing, unsecured and have no specific terms for repayment. During the year ended April 30, 2016, the Company settled the loan from related party for $5,000 in exchange of its office equipment.

Management fees consist of fees paid to a company controlled by the CEO of the Company.

1.10 Subsequent Events

There were no subsequent events or items that affected the Company's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments.

1.11 Proposed Transactions

There are no transactions that are currently under negotiation or proposed to be entered into.

1.12 Critical Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net and/or comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

(i) Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the year the new information becomes available.

(ii) Income taxes

The Company has not recognized a deferred tax asset as management believe it is not probable that taxable profit will be available against which a deductible temporary differences can be utilized.

(iii) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

1.13 Financial Instruments and Other Instruments

The carrying amounts of cash, GST receivables, due to related parties, accounts payable and accrued liabilities and loan payable approximate fair value because of the short-term maturity of these items.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Data
Summary of Outstanding Share Data as of April 30, 2017:

i. Authorized and issued share capital:

			Issued and Outstanding	
Class	Par Value	Authorized	2017	2016
Common	Nil	Unlimited	10,330,529	10,330,529

ii. There were no warrants outstanding as of April 30, 2017 or 2016.

iii. There was 350,000 stock options outstanding as of April 30, 2017 and 650,000 as of April 30, 2016.

Additional Information
Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

APPENDIX E

MD&A OF IMC

I.M.C. Holdings Ltd.

Management's Discussion and Analysis of

For the Three and Six Months Ended June 30, 2019 and 2018

I.M.C. Holdings Ltd.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2019 and 2018

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IMC Holdings Ltd. (the "Company" or "IMC") for the three and six months ended June 30, 2019. Throughout this MD&A, unless otherwise specified, "IMC", "the Company", "we", "us" or "our" refer to International Medical Cannabis Inc. The Company is incorporated and domiciled in Israel and the Company's registered office is located at Kibbutz Glil Yam, Israel.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2018 (the "Annual Financial Statements"), the unaudited condensed interim financial statements for the three and six months period ended June 30, 2019 and 2018 (the "Interim Condensed Consolidated Financial Statements").

The Statements have been prepared by management in accordance with the international financial reporting standards (IFRS) using International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The Company's condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Focus Medical Herbs Ltd. (Focus), I.M.C. Pharma Ltd., I.M.C.C Ltd., IMC ventures Ltd., IMC Farms and Adjupharm GmbH. All significant intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars in thousands, unless otherwise noted.

This MD&A has been prepared as of September 5, 2019.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws of the Securities Act (Israel) with respect to IMC. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

OVERVIEW OF THE COMPANY

Company Background

IMC Holdings Ltd. (the "Company" or "IMC") was established and incorporated On January 16, 2018, in Israel as a private company. The Company's main office is located in Kibutz Glil-Yam, Israel.

The Company operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow, and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

The revenues of the Company and its subsidiaries ("Group") were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), incorporated in Germany, a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis.

IMC remains a leading supplier to the Israeli medical Cannabis market as one of eight licensed producers ("LP") of Cannabis in Israel. The Israeli medical cannabis market is estimated at approximately US$40 million today based on consumption by more than 30,000 users at a monthly cost of NIS 316.

IMC currently serving 5,000 patients and delivering to 4,935 prescriptions monthly.

Company Products

IMC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The IMC brand in Israel has become synonymous with quality, purity and consistency.

The Company through its subsidiary Focus currently offers two main types of products: dried Cannabis and Cannabis oil. All of the products are tested in certifies labs according to the Israeli Ministry of Health standards and certified before being packaged and labelled with detailed information about the levels of Tetrahydrocannabinol (“THC”) and Cannabidol (“CBD”) within each product.

There are currently a number of dried medical cannabis products and medical cannabis oil products bearing IMC’s Brands:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC’S BRAND (DISTRIBUTED BY FOCUS)		
Strain	**THC/CBD Content**	**Usage**
Dairy Queen Sativa 40 / Indica 60	THC: 17-21% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora’s Box Sativa 70 / Indica 30	THC: 17-20% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety; treats depression, migraines and nausea.
Roma Indica Dominant	THC: 26-30% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London Indica Dominant	THC: 14-18% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety, PTSD.
Tel Aviv Sativa 80 / Indica 20	THC:11-19% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of eating disorders and anxiety.

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Paris Sativa 40 / Indica 60	THC: 7-9% CBD: 9-13%	In Israel, has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.
Medical Cannabis Oil	THC: 10% CBD: 2%	In Israel has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil – Forte	THC: 15% CBD: 3%	In Israel, has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4%	In Israel, has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

Corporate Developments

(i) Private placement

Corporate Restructuring and Canadian Liquidity Event

Following the 2018 Private Placements, IMC entered into the Definitive Agreement for the Proposed Reverse Takeover Transaction to continue to expand its business and access new capital markets.

In mid-2018, the Company entered into a binding letter agreement (the "Letter Agreement") with Navasota Acquisition Ltd. IMC and Navasota propose to combine the business and assets of IMC with those of Navasota and upon completion of such business combination, Navasota will become the Resulting Issuer with the name "IM Cannabis Corp.“ on the Canadian Securities Exchange ("CSE").

(ii) License Renewal

Effective December 13, 2018, Israeli Ministry of Health renewed the License of Focus to March 30, 2020 and is expected to extend the License at the end of its current term. The License currently allows the Company through its subsidiary, Focus, to, among other things, grow and hold in the growing installation at any given time total up to 12,000 plants of the different types and at the different cultivation stages at any point of time. In addition, up to 900 kilos of the plant inflorescence at post-harvest processing stages and up to 450 kilos of unplanted plant parts, as well as plants uprooted also not for the purpose of processing. In addition, the License also allows the Company to cultivate and storage in the production installation up to 3,630 plants of different types and at the different cultivation stages at any point of time.

(iii) Regulatory Changes

Until today, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS for a month, thus, a patient who received 20 grams of the product paid just like a patient who received 180 grams. From April 2018, a pilot of selling the products through the pharmacies began by the Israeli Ministry of Health. Under the MOH new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform, IMC expects the Israeli medical cannabis market to experience exponential growth in the short-term future for several reasons, including:

(a) price increases;
(b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
(c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
(d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process;
(e) expansion of the list of ailments and diseases for which medical cannabis can be prescribed1 to conditions affecting, according to IMC's estimates, approximately 2-4% of the population, a total of approximately 250,000-350,000 people.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. IMC does not expect this breakdown to materially change under the new MOH Regulations.

(iv) Medical Cannabis Exports

The Israeli government approved the Export Reform in January 2019 and it is anticipated that the LPs who receive export licenses from the MOH will begin exporting medical cannabis products within several months of the effective date, subject to compliance by such LPs with the regulations set or which shall be set by the MOH. Given IMC's brands and market positions as well as Focus's recently awarded GAP certification the Company expects to benefit from export. IMC expects that the export will start in 2020.

(v) A New Brand

On January 16, 2018, IMC formally changed its corporate brand to International Medical Cannabis ("IMC" or the "Company"). The new brand reflects IMC's strategic plan to diversify from an Israeli medical Cannabis Company and into an international medical Cannabis Company while remaining aligned with the Company's longstanding reputation as a leading producer and supplier of medical Cannabis.

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1 Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017 https://www.health.gov.il/hozer/mmk154_2016.pdf

In addition, IMC is a newly established holding Company that will hold all the operating assets of Focus. IMC Holdings was established to prepare the Company for a planned listing on a stock exchange in Canada, and to facilitate a restructuring of IMC’s Israel-based assets, a requirement for compliance with the pending Cannabis industry reform in Israel.

(vi) Supply Agreement

(vii) International Activity

IMC believes that the key to its global expansion is penetration of the European market through the promotion of IMC’s Brand as part of a wholly-owned distribution platform. IMC is looking at Europe as a key market for international growth.

IMC's strategy begins with Germany, currently the largest and most advanced market in Europe. To develop its operations, On March 15, 2019, IMC completed the acquisition of 100% of Adjupharm GmbH - (“**Adjupharm**”), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. IMC acquired issued and outstanding Adjupharm shares for €924 thousand (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 thousand (approximately $1,030). As of the approval date of the financial statements these bank loans were repaid by the Company. On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares.

Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMC expects to enter strategic agreements with EU-GMP suppliers, set up its own cultivation facilities or in partnership with local partners, and promote the export of Focus’ and other LPs’ products from Israel once export is permitted by the MOH.

IMC is in the process of applying for a license to cultivate medical cannabis in Portugal and is exploring additional opportunities in other European jurisdictions in which medical cannabis is currently legal.

On October, 2018, IMC Holding established a wholly owned Company in Portugal in order to achieve license for Cannabis cultivation. After the Company will receive the license, IMC intends to export the Cannabis to Companies that IMC will purchase/ establish in Europe.

(viii) World Class Know-how, Innovation and Scale

Nine years of experience in cultivating, breeding and processing cannabis has been accumulated by IMC’s team allowing Focus to replicate genetically stable plants in its growing facility. The quality, aesthetic appeal and consistency of cultivation has played an essential role in the success and the branding of the Company and its products.

IMC has developed proprietary industrial cannabis processing machinery, which enables significant automation and cost reduction in the cannabis post-harvest and production processes. IMC is in the process of applying to patent this technology and expects to receive patent pending status by June 2019.

Overall Financial Performance

	For the six months ended June 30,		For the three months ended June 30,	
Financial Results	2019	2018	2019	2018
Revenues	$ 4,269	$ 2,382	$ 2,314	$ 1,277
Gross margin before fair value impacts in cost of sales	$ 2,407	$ 1,022	$ 1,624	$ 517
Gross margin before fair value impacts in cost of sales %	56%	43%	70%	40%
Net Loss	$ -7,197	$ -55	$ -610	$ -960
Operational Results - Medical Cannabis				
Active registered patients	4,935	4,011	4,935	4,011
Average net selling price of dried cannabis	$ 3.18	$ 2.68	$ 3.18	$ 2.62
Kilograms produced	1,448	1,155	1,264	1,155
Kilograms sold	1,115	710	595	386

	As of	
Balance Sheet	June 30, 2019	December 31, 2018
Total assets	$ 15,852	$ 14,994
Total liabilities	$ 10,083	$ 3,383

The Group's financial results for the year continued to show strong growth in dried medical Cannabis and Cannabis oil sales. Compared to the same six months prior period, medical Cannabis revenue increased by 79%, while at the same time allowing for a significant increase in inventory. Cannabis inventory and biological assets increased by 29% from the end of the last prior period.

In 2010 Focus commenced commercial operations and began generating revenues from the sale of medical Cannabis in the beginning of 2011. On March 18th, 2018, IMC purchased 74% of Focus shares for 2,960,000 NIS. Production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its focus on providing quality products produced in a cost-effective manner. From costs perspective (before fair value adjustments), the increase in cultivation related costs, the hiring and contracting of additional experts and experienced personnel, the additional business development activities and increased corporate activities have led to an increase in 2019.

During the six months ended June 30, 2019, the Group focused its efforts and operational and capital spending on the following:

• Registration and preparation for the issue in the CSE.

• Hiring of financial advisors and establishing its management personnel

• Optimizing and Increasing production to meet the anticipated increase in product demand; and

• Growing increased market awareness of the Company and its products and approach.

• Acquisition of distribution companies abroad and collaborate with Cannabis growing companies.

Review of Operations for the Six Months ended June 30, 2019 and 2018

Revenues

Revenues for the six-month period ended June 30, 2019 were $4,269 compared to $2,382 during the same period in 2018, an increase of $1,887 or 79%. The increase in revenue, period over period, is primarily due to the growth in the Company's customer base. Total product sold for the six months period ended June 30, 2019 was 1,115 kilograms at an average selling price of 3.18 CAD per gram compared to 710 kilograms sold for six months period ended June 30, 2018 at an average selling price of 2.68 CAD per gram.

Cost of Revenues

Cost of revenues include production, testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Cost of revenues for the six months period ended June 30, 2019 and 2018 were $1,862 and $1,360, respectively, an increase of $502 or 37%. Most of the cost of revenues are comprised of production employees' salary expenses and deliveries. We expect net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants after harvest plants and the strains being grown and based on technological progress in the trimming machines.

Gross profit

The Company's gross profit is comprised of the following:

- Production costs – represents current period costs that are directly attributable to the cannabis growing and harvesting process.
- Fair value adjustment on sale of inventory – relates to the previously fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.

Included in gross profit is the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest.

Gross profit for the six months period ended June 30, 2019 was $3,566 compared to $1,163 for the same period in 2018, an increase of $2,403 or 207%. Gross profit includes unrealized gain from changes in biological assets which was $1,159 compared to $141 during the six months period ended June 30, 2019 and 2018, respectively. Increase in gross profit is primarily due to the change in unrealized gain from changed in fair value of biological assets. We expect gross profit to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown at the end of the quarter.

Expenses

General and administrative

General and administrative expenses for the six-month period ended June 30, 2019 were $3,275 compared to $681 during the same period in 2018, an increase of $2,594 or 381%. The increase represents the Company's efforts to bring more labor and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Selling and Marketing

Selling and Marketing expenses for the six months period ended June 30, 2019 were $591 compared to $203 during the same period in 2018, an increase of $388 or 191%. The increase in the Selling and Marketing expenses is due to the increase in sales to customers and as a result increase in the distribution expenses.

Research and Development

Research and Development expenses for the six months period ended June 30, 2019 were $139. The expenses incurred due to a research project started in Paraguay during 2018 and expended to different areas.

Share-based compensation

Share-based compensation expenses for the six months period ended June 30, 2019 were $1,161. The expenses incurred due to option plan approved by the management and granted to the employees on January 2019.

Financing

Financing expenses for the six months period ended June 30, 2019 were $5,026 compared to $270 during the same period in 2018, an increase of $4,756 or 1,761%. The change is mainly due to exchange rate differences and the valuation update of the warrants issued on June 2018.

Depreciation

Depreciation expense for the six months period ended June 30, 2019 was $402 compared to $83 during the same period in 2018, an increase of $319 or 382%. The increase was primarily due to the renewal of the greenhouses and purchase of additional machines during 2019 and 2018.

Net Income/ Loss

Net loss for the six months period ended June 30, 2019 was $7,197 compared to loss of $229 during the same period in 2018, a decrease of $6,968 or 3,043%. This is primarily due to the options to employee and warrants granted which created finance expenses.

Loss per Share

Basic loss per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted profit per share excludes un-issued common shares related to stock options as they are antidilutive. Basic and diluted loss per share for the six months period ended June 30, 2019 were 0.64 CAD per share.

Total Assets

Total assets at June 30, 2019 were $15,852 compared to $14,994 at December 31, 2018, an increase of $858 or 6%. The increase is primarily due to the recognition of the intangible assets and goodwill through the acquisition of the German distribution Company on March 2019.

Total Liabilities

Total liabilities at June 30, 2019 were $10,083 compared to $3,383 at December 31, 2018, an increase of $6,699 or 198%. The increase is primarily due to the liability for related parties and the liability for warrants and options to employee.

Intangible Assets

On March 15, 2019, IMC acquired Adjupharm GmbH (“Adjupharm”), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm’s issued and outstanding shares for €924 thousand (approximately $1,400).
Through the acquisitions of Adjupharm, the Company recognized $1,641 intangible assets and goodwill. The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.
The goodwill recognized is not expected to be deductible for income tax purposes.
The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

Liquidity and Capital Resources

For the six months period ended June 30, 2019, the Company generated revenues of $4,269 from operations and financed its operations and met its capital requirements primarily through shareholder debt and external borrowings. The Company’s objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company’s operating and working capital requirements.

As at June 30, 2019, the Company had a working capital of $9,124 compared to a working capital of $12,306 at December 31, 2018. The decrease in working capital of $3,182 is primarily attributable to the liability raising following the issuing of the warrants and the options to employee.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Share Capital

The Company’s authorized share capital consists of a limited number of common shares without par value of which 12,282,750 common shares are issued and outstanding as of the date of this MD&A.

Contingent Liabilities and Commitments

(i) Rental Liabilities

On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.
According to the agreement, Focus will be responsible for transferring to the Farmer payments for the construction and rental of the facility.

On December 1, 2016, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 6,000 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

Total rent expenses for the six months ended June 30, 2019 and 2018, amounted to approximately $54 and $44, respectively.

(ii) Class Action T.Z. 8394-11-16

On March 11, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.
The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($47,945).
The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.
On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019. At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that the outcome of the litigation will not have a significant adverse effect on the Company's financial position and results of operations. An accrual has been included in the financial statements.

Off-Balance Sheet Arrangements

IMC has no off-balance sheet arrangements as at June 30, 2019.

Transactions with Related Parties

The Company had no transactions with related parties except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship.

Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which IMC currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following risk factors have been identified by Management:

Financial Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Marijuana Industry

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on Page 16 business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Israeli ministry of health, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical Cannabis and Cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iii) Changes in Laws, Regulations and Other Guidelines

The Company's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical Cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) Reliance on License Renewal

The Company's business, specifically Focus is dependent on the License from the Israeli Ministry of Health and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. The license was renewed on December 13, 2018 and expires March 30, 2020. Although management believes it will meet the requirements of the Israeli Ministry of Health annually for extension of the License, there can be no guarantee that Israeli Ministry of Health will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Israeli Ministry of Health not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

(vi) Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

(vii) Competition in the Industry

There is potential that the Company will face intense competition from other Companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMC operates, the Company expects to face additional competition from new entrants. If the number of users of medical Cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger Companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business through its subsidiary focus involves the growing of medical marijuana, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of the Company.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the Israeli Ministry of Health, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. It can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or Page 18 other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's product specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xi) Reliance on Key Business Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g. rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As a manufacturer of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of IMC products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that IMC's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

(xv) Potential Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of IMC's products are recalled due to an alleged product defect or for any other reason, IMC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. IMC may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additional if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMC's operations by Israeli Ministry of Health or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Reliance on the Main Facility

The Company's activities and resources have been primarily focused on its subsidiary Focus's main facility in south of Israel and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility could have a material adverse effect on the Company's business, financial condition and prospects.

(xvii) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Israel. Additionally, the government discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 2 to the Annual Financial Statements and to the Interim Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments

The following new accounting standards applied or adopted during the period ended December 31, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 16 – Leases [“IFRS 16”]

In January 2016, the IASB issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019.
The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity.
   Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:
   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

   Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

   The Company has evaluated the impact of IFRS 16 on the Company's financial statements applying the modified retrospective approach upon the initial adoption of the new Standard, whereby the right-of-use asset will be measured at an amount equal to the lease liability.

   The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of use asset) and lease liabilities in the amount of approximately $777.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

Subsequent Events

In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on 29 August, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial Page 23 statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at June 30, 2019, the Company's internal control over financial reporting was effective.

During the six months ended June 30, 2019, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

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I.M.C. Holdings Ltd.

Management's Discussion and Analysis of

For the Three Months Ended March 31, 2019 and 2018

I.M.C. Holdings Ltd.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2019 and 2018

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IMC Holdings Ltd. (the "Company" or "IMC") for the three months ended March 31, 2019. Throughout this MD&A, unless otherwise specified, "IMC", "the Company", "we", "us" or "our" refer to International Medical Cannabis Inc. The Company is incorporated and domiciled in Israel and the Company's registered office is located at Kibbutz Glil Yam, Israel.

This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2018 (the "Annual Financial Statements"), the unaudited condensed interim financial statements for the three months period ended March 31, 2019 and 2018 (the "Interim Condensed Consolidated Financial Statements").

The Statements have been prepared by management in accordance with the international financial reporting standards (IFRS) using International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The Company's condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018.

IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Focus Medical Herbs Ltd. (Focus), I.M.C. Pharma Ltd., I.M.C.C Ltd., IMC ventures Ltd., IMC Farms and Adjupharm GmbH. All significant intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars in thousands, unless otherwise noted.

This MD&A has been prepared as of September 5, 2019.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws of the Securities Act (Israel) with respect to IMC. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

OVERVIEW OF THE COMPANY

Company Background

IMC Holdings Ltd. (the "Company" or "IMC") was established and incorporated On January 16, 2018, in Israel as a private company. The Company's main office is located in Kibutz Glil-Yam, Israel.

The Company operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow, and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.

The revenues of the Company and its subsidiaries ("Group") were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), incorporated in Germany, a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis.

IMC remains a leading supplier to the Israeli medical Cannabis market as one of eight licensed producers ("LP") of Cannabis in Israel. The Israeli medical cannabis market is estimated at approximately US$40 million today based on consumption by more than 30,000 users at a monthly cost of NIS 316.

IMC currently serving 5,000 patients and delivering to 4,647 prescriptions monthly.

Company Products

IMC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The IMC brand in Israel has become synonymous with quality, purity and consistency.

The Company through its subsidiary Focus currently offers two main types of products: dried Cannabis and Cannabis oil. All of the products are tested in certifies labs according to the Israeli Ministry of Health standards and certified before being packaged and labelled with detailed information about the levels of Tetrahydrocannabinol ("THC") and Cannabidol ("CBD") within each product.

There are currently a number of dried medical cannabis products and medical cannabis oil products bearing IMC's Brands:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Strain	**THC/CBD Content**	**Usage**
Dairy Queen Sativa 40 / Indica 60	THC: 17-21% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box Sativa 70 / Indica 30	THC: 17-20% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety; treats depression, migraines and nausea.
Roma Indica Dominant	THC: 26-30% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London Indica Dominant	THC: 14-18% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety, PTSD.
Tel Aviv Sativa 80 / Indica 20	THC:11-19% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of eating disorders and anxiety.

Paris Sativa 40 / Indica 60	THC: 7-9% CBD: 9-13%	In Israel, has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.

MEDICAL CANNABIS OIL PRODUCTS BEARING IMC’S BRAND (DISTRIBUTED BY FOCUS)		
Name	**THC/CBD Content**	**Description**
Medical Cannabis Oil	THC: 10% CBD: 2%	In Israel has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil – Forte	THC: 15% CBD: 3%	In Israel, has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4%	In Israel, has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

Corporate Developments

(i) Private placement

Corporate Restructuring and Canadian Liquidity Event

Following the 2018 Private Placements, IMC entered into the Definitive Agreement for the Proposed Reverse Takeover Transaction to continue to expand its business and access new capital markets.

In mid-2018, the Company entered into a binding letter agreement (the “Letter Agreement”) with Navasota Acquisition Ltd. IMC and Navasota propose to combine the business and assets of IMC with those of Navasota and upon completion of such business combination, Navasota will become the Resulting Issuer with the name “IM Cannabis Corp.“ on the Canadian Securities Exchange (“CSE”).

(ii) License Renewal

Effective December 13, 2018, Israeli Ministry of Health renewed the License of Focus to March 30, 2020 and is expected to extend the License at the end of its current term. The License currently allows the Company through its subsidiary, Focus, to, among other things, grow and hold in the growing installation at any given time total up to 12,000 plants of the different types and at the different cultivation stages at any point of time. In addition, up to 900 kilos of the plant inflorescence at post-harvest processing stages and up to 450 kilos of unplanted plant parts, as well as plants uprooted also not for the purpose of processing. In addition, the License also allows the Company to cultivate and storage in the production installation up to 3,630 plants of different types and at the different cultivation stages at any point of time.

(iii) Regulatory Changes

Until today, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS for a month, thus, a patient who received 20 grams of the product paid just like a patient who received 180 grams. From April 2018, a pilot of selling the products through the pharmacies began by the Israeli Ministry of Health. Under the MOH new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform, IMC expects the Israeli medical cannabis market to experience exponential growth in the short-term future for several reasons, including:

(a) price increases;
(b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
(c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
(d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process;
(e) expansion of the list of ailments and diseases for which medical cannabis can be prescribed1 to conditions affecting, according to IMC's estimates, approximately 2-4% of the population, a total of approximately 250,000-350,000 people.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. IMC does not expect this breakdown to materially change under the new MOH Regulations.

(iv) Medical Cannabis Exports

The Israeli government approved the Export Reform in January 2019 and it is anticipated that the LPs who receive export licenses from the MOH will begin exporting medical cannabis products within several months of the effective date, subject to compliance by such LPs with the regulations set or which shall be set by the MOH. Given IMC's brands and market positions as well as Focus's recently awarded GAP certification the Company expects to benefit from export. IMC expects that the export will start in 2020.

(v) A New Brand

On January 16, 2018, IMC formally changed its corporate brand to International Medical Cannabis ("IMC" or the "Company"). The new brand reflects IMC's strategic plan to diversify from an Israeli medical Cannabis Company and into an international medical Cannabis Company while remaining aligned with the Company's longstanding reputation as a leading producer and supplier of medical Cannabis.

1 Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017   https://www.health.gov.il/hozer/mmk154_2016.pdf

In addition, IMC is a newly established holding Company that will hold all the operating assets of Focus. IMC Holdings was established to prepare the Company for a planned listing on a stock exchange in Canada, and to facilitate a restructuring of IMC’s Israel-based assets, a requirement for compliance with the pending Cannabis industry reform in Israel.

(vi) Supply Agreement

(vii) International Activity

IMC believes that the key to its global expansion is penetration of the European market through the promotion of IMC’s Brand as part of a wholly-owned distribution platform. IMC is looking at Europe as a key market for international growth.

IMC's strategy begins with Germany, currently the largest and most advanced market in Europe. To develop its operations, On March 15, 2019, IMC completed the acquisition of 100% of Adjupharm GmbH - (“**Adjupharm**”), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. IMC acquired issued and outstanding Adjupharm shares for €924 thousand (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 thousand (approximately $1,030). As of the approval date of the financial statements these bank loans were repaid by the Company. On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares.

Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMC expects to enter strategic agreements with EU-GMP suppliers, set up its own cultivation facilities or in partnership with local partners, and promote the export of Focus’ and other LPs’ products from Israel once export is permitted by the MOH.

IMC is in the process of applying for a license to cultivate medical cannabis in Portugal and is exploring additional opportunities in other European jurisdictions in which medical cannabis is currently legal.

On October, 2018, IMC Holding established a wholly owned Company in Portugal in order to achieve license for Cannabis cultivation. After the Company will receive the license, IMC intends to export the Cannabis to Companies that IMC will purchase/ establish in Europe.

(viii) World Class Know-how, Innovation and Scale

Nine years of experience in cultivating, breeding and processing cannabis has been accumulated by IMC’s team allowing Focus to replicate genetically stable plants in its growing facility. The quality, aesthetic appeal and consistency of cultivation has played an essential role in the success and the branding of the Company and its products.

IMC has developed proprietary industrial cannabis processing machinery, which enables significant automation and cost reduction in the cannabis post-harvest and production processes. IMC is in the process of applying to patent this technology and expects to receive patent pending status by June 2019.

Overall Financial Performance

	For the three months ended March 31,			
Financial Results		2019		2018
Revenues	$	1,955	$	1,105
Gross margin before fair value impacts in cost of sales	$	783	$	505
Gross margin before fair value impacts in cost of sales %		40%		46%
Net Income (loss)	$	-6,591	$	906
Balance Sheet				
Cannabis inventory and biological assets	$	6,205		
Total assets	$	17,336		
Operational Results - Medical Cannabis				
Active registered patients		4,647		2,979
Average net selling price of dried cannabis	$	3.10	$	2.74
Kilograms produced		184		-
Kilograms sold		524		324

The Group's financial results for the year continued to show strong growth in dried medical Cannabis and Cannabis oil sales. Compared to the same prior period, medical Cannabis revenue increased by 77%, while at the same time allowing for a significant increase in inventory. Cannabis inventory and biological assets increased by 12% from the end of the last prior period.

In 2010 Focus commenced commercial operations and began generating revenues from the sale of medical Cannabis in the beginning of 2011. On March 18th, 2018, IMC purchased 74% of Focus shares for 2,960,000 NIS. Production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its focus on providing quality products produced in a cost-effective manner. From costs perspective (before fair value adjustments), the increase in cultivation related costs, the hiring and contracting of additional experts and experienced personnel, the additional business development activities and increased corporate activities have led to an increase in 2019.

During the three months ended March 31, 2019, the Group focused its efforts and operational and capital spending on the following:

- Registration and preparation for the issue in the CSE.
- Hiring of financial advisors and establishing its management personnel
- Optimizing and Increasing production to meet the anticipated increase in product demand; and
- Growing increased market awareness of the Company and its products and approach.
- Acquisition of distribution companies abroad and collaborate with Cannabis growing companies.

Review of Operations for the three Months ended March 31, 2019 and 2018

Revenues

Revenues for the three-month period ended March 31, 2019 were $1,955 compared to $1,105 during the same period in 2018, an increase of $850 or 77%. The increase in revenue, period over period, is primarily due to the growth in the Company's customer base. Total product sold for the three months period ended March 31, 2019 was 524 kilograms at an average selling price of 3.10 CAD per gram compared to 324 kilograms sold for three months period ended March 31, 2018 at an average selling price of 2.74 CAD per gram.

Cost of Revenues

The Company's cost of revenues is comprised of the following:

- Production costs – represents current period costs that are directly attributable to the cannabis growing and harvesting process.
- Fair value adjustment on sale of inventory – relates to the previously fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.

Included in net cost of revenues are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest. Cost to sell include production, testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Cost of revenues for the three months period ended March 31, 2019 and 2018 were $1,172 and $600, respectively, an increase of $572 or 95%. Most of the cost of revenues is comprised of production employees' salary expenses and deliveries. We expect net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants after harvest plants and the strains being grown and based on technological progress in the trimming machines.

Gross profit

Gross profit for the three months period ended March 31, 2019 was $1,302 compared to $1,198 for the same period in 2018, an increase of $104 or 9%. Gross profit includes unrealized gain from changes in biological assets which was $519 compared to $694 during the three months period ended March 31, 2019 and 2018, respectively. Increase in gross profit is primarily due to the change in unrealized gain from changed in fair value of biological assets. We expect gross profit to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown at the end of the quarter.

Expenses

General and administrative

General and administrative expenses for the three-month period ended March 31, 2019 were $1,742 compared to $295 during the same period in 2018, an increase of $1,447 or 491%. The increase represents the Company's efforts to bring more labor and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Selling and Marketing

Selling and Marketing expenses for the three months period ended March 31, 2019 were $265 compared to $92 during the same period in 2018, an increase of $173 or 188%. The increase in the Selling and Marketing expenses is part of the Company's expansion strategy.

Research and Development

Research and Development expenses for the three months period ended March 31, 2019 were $54. The expenses incurred due to a research project started in Paraguay during 2018 and expended to different areas.

Share-based compensation

Share-based compensation expenses for the three months period ended March 31, 2019 were $549. The expenses incurred due to option plan approved by the management and granted to the employees on January 2019.

Financing

Financing expenses for the three months period ended March 31, 2019 was $5,088 compared to $1 during the same period in 2018, an increase of $5,088. The change is mainly due to exchange rate differences and the valuation update of the warrants issued on June 2018.

Depreciation

Depreciation expense for the three months period ended March 31, 2019 was $67 compared to $35 during the same period in 2018, an increase of $32 or 91%. The increase was primarily due to the renewal of the greenhouses and purchase of additional machines during 2019 and 2018.

Net Income/ Loss

Net loss for the three months period ended March 31, 2019 was $6,591 compared to income of $906 during the same period in 2018, a decrease of $7,497 or 827%. This is primarily due to the options to employee granted which created finance expenses.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted profit per share excludes un-issued common shares related to stock options as they are antidilutive. Basic and diluted loss per share for the three months period ended March 31, 2019 was 0.56 CAD per share.

Total Assets

Total assets at March 31, 2019 were $17,336 compared to $14,994 at December 31, 2018, an increase of $2,342 or 16%. The increase is primarily due to the recognition of the intangible assets and goodwill through the acquisition of the German distribution Company on March 2019.

Total Liabilities

Total liabilities at March 31, 2019 were $11,599 compared to $3,383 at December 31, 2018, an increase of $8,216 or 243%. The increase is primarily due to the liability for related parties and the liability for warrants and options to employee.

Intangible Assets

On March 15, 2019, IMC acquired Adjupharm GmbH ("Adjupharm"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand (approximately $1,400).
Through the acquisitions of Adjupharm, the Company recognized $1,701 intangible assets and goodwill. The goodwill arising on acquisition is attributed to the expected benefits from the synergies of the combination of the activities of the Company and Adjupharm.
The goodwill recognized is not expected to be deductible for income tax purposes.
The Company recognized the fair value of the assets acquired and liabilities assumed in the business combination according to a provisional measurement. As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained. The purchase consideration and the fair value of the acquired assets and liabilities may be adjusted within 12 months from the acquisition date. At the date of final measurement, adjustments are generally made by restating comparative information previously determined provisionally.

Liquidity and Capital Resources

For the three months period ended March 31, 2019, the Company generated revenues of $1,955 from operations and financed its operations and met its capital requirements primarily through shareholder debt and external borrowings. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements.

As at March 31, 2019, the Company had a working capital of $9,290 compared to a working capital of $12,307 at December 31, 2018. The decrease in working capital of $3,017 is primarily attributable to the liability raising following the issuing of the warrants the options to employee.

The condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Share Capital

The Company's authorized share capital consists of a limited number of common shares without par value of which 12,282,750 common shares are issued and outstanding as of the date of this MD&A.

Contingent Liabilities and Commitments

(i) Rental Liabilities

On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.
According to the agreement, Focus will be responsible for transferring to the Farmer payments for the construction and rental of the facility.

On December 1, 2016, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 6,000 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

Total rent expenses for the three months ended March 31, 2019 and 2018, amounted to approximately $27 and $22, respectively.

(ii) Class Action T.Z. 8394-11-16

On March 11, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment.
The personal suit sum for every class member stands at NIS 5,000 ($2); the total amount of the class action suit is estimated at NIS 133 million ($47,945).
The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.
On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019. At the current stage of the litigation process, Company's management believes, based on the opinion of its legal counsel, that the outcome of the litigation will not have a significant adverse effect on the Company's financial position and results of operations. An accrual has been included in the financial statements.

Off-Balance Sheet Arrangements

IMC has no off-balance sheet arrangements as at March 31, 2019.

Transactions with Related Parties

The Company had no transactions with related parties except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship.

Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which IMC currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following risk factors have been identified by Management:

Financial Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Marijuana Industry

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on Page 16 business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Israeli ministry of health, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical Cannabis and Cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iii) Changes in Laws, Regulations and Other Guidelines

The Company's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical Cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) Reliance on License Renewal

The Company's business, specifically Focus is dependent on the License from the Israeli Ministry of Health and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. The license was renewed on December 13, 2018 and expires March 30, 2020. Although management believes it will meet the requirements of the Israeli Ministry of Health annually for extension of the License, there can be no guarantee that Israeli Ministry of Health will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Israeli Ministry of Health not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

(vi) Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

(vii) Competition in the Industry

There is potential that the Company will face intense competition from other Companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMC operates, the Company expects to face additional competition from new entrants. If the number of users of medical Cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger Companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business through its subsidiary focus involves the growing of medical marijuana, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of the Company.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the Israeli Ministry of Health, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. It can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or Page 18 other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's product specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xi) Reliance on Key Business Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g. rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As a manufacturer of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of IMC products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that IMC's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

(xv) Potential Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of IMC's products are recalled due to an alleged product defect or for any other reason, IMC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. IMC may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additional if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMC's operations by Israeli Ministry of Health or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Reliance on the Main Facility

The Company's activities and resources have been primarily focused on its subsidiary Focus's main facility in south of Israel and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility could have a material adverse effect on the Company's business, financial condition and prospects.

(xvii) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Israel. Additionally, the government discussing the possibility of exporting cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 2 to the Annual Financial Statements and to the Interim Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments

The following new accounting standards applied or adopted during the period ended December 31, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 16 – Leases [“IFRS 16”]

In January 2016, the IASB issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease.

The new Standard is effective for annual periods beginning on or after January 1, 2019.
The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity.
   Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:
   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

   Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

   The Company has evaluated the impact of IFRS 16 on the Company's financial statements applying the modified retrospective approach upon the initial adoption of the new Standard, whereby the right-of-use asset will be measured at an amount equal to the lease liability.

   The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of use asset) and lease liabilities in the amount of approximately $777.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

Subsequent Events

In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on 29 August, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial Page 23 statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at March 31, 2019, the Company's internal control over financial reporting was effective.

During the three months ended March 31, 2019, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

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I.M.C. Holdings Ltd.

Management's Discussion and Analysis

For the year Ended December 31, 2018

I.M.C. Holdings Ltd.

Management's Discussion and Analysis

For the year ended December 31, 2018

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of IMC Holdings Ltd. (the "Company" or "IMC") for the year ended December 31, 2018. Throughout this MD&A, unless otherwise specified, "IMC", "the Company", "we", "us" or "our" refer to International Medical Cannabis Inc. The Company is incorporated and domiciled in Israel and the Company's registered office is located at Kibbutz Glil Yam, Israel.

The MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements for the year ended December 31, 2018 and notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Statements have been prepared by management in accordance with the international financial reporting standards (IFRS). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

The consolidated financial statements include the accounts of the Company and its subsidiaries, Focus Medical Herbs Ltd. (Focus), I.M.C. Pharma Ltd., and I.M.C.C Ltd., IMC ventures Ltd. and IMC Farms Ltd. All significant intercompany balances and transactions were eliminated on consolidation.

All amounts in the MD&A are expressed in Canadian Dollars in thousands, unless otherwise noted.

This MD&A has been prepared as of September 5, 2019.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws of the Securities Act (Israel) with respect to IMC. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future Cannabis pricing; Cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks Factors" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guaranteeing of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, IMC undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

OVERVIEW OF THE COMPANY

Company Background

IMC Holdings Ltd. (the "Company" or "IMC") was established and incorporated On January 16, 2018, in Israel as a private company. The Company's main office is located in Kibutz Glil-Yam, Israel.

The Company operates in the field of medical cannabis, through its subsidiary Focus Medical Herbs Ltd. ("Focus") which is licensed under the regulations of medical cannabis by the Israeli Ministry of Health through its Israel Medical Cannabis Agency ("IMCA") to breed, grow, and supply medical cannabis product in Israel and all of its operations are performed pursuant to the Israeli DANGEROUS DRUGS ORDINANCE [NEW VERSION], 5733 - 1973 (the "Dangerous Drugs Ordinance"), and the related regulations issued by IMCA.
The revenues of the Company and its subsidiaries ("Group") were generated from sales of medical cannabis products to customers in Israel. IMC and its subsidiaries do not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

In early 2018 the Company and Focus, an entity under common control and management with the Company, effectively completed a business combination of Focus's operations into the Company. During the reporting period, the Company's efforts and resources focused on organizing the operations of the Group under the new regulation in the field of medical cannabis in Israel, while Focus operated at that time under the former regulation of medical cannabis in Israel and sold its products based on its license to operate using its own facilities.
Focus received its first license from the Israeli ministry of Health on January 17, 2011 (the "License") and immediately after receiving the license it began production and commenced sales of medical Cannabis and Cannabis oil.

Since commencing growing at its main greenhouses located at south of Israel in 2010, Focus has continued to expand production in the Greenhouses. The licensed premises span, as of today, 8 acres of warehouse and 9 additional acres for production purposes.

In August 2018, Focus received G.A.P standard certification, a standard for appropriate growth conditions which is based on the equivalent international standard.

Besides the purchase of 74% of Focus, in 2018, IMC established IMC Pharma, IMCC, IMC Farms and IMC Ventures. IMC Pharma, IMCC and IMC Farms were each intended to hold licenses to operate in different sectors of the medical cannabis industry upon the enactment of the regulatory reform.

IMC Ventures was established on September 5, 2018 for the purpose of investment in cannabis research and development projects and industry related start-ups.

IMC remains a leading supplier to the Israeli medical Cannabis market as one of eight licensed producers ("LP") of Cannabis in Israel. The Israeli medical cannabis market is estimated at approximately US$40 million today based on consumption by more than 30,000 users at a monthly cost of NIS 316.

IMC currently serving 5,000 patients and delivering over 3,600 prescriptions monthly.

Company Products

IMC is a well-known, recognized medical cannabis brand in Israel that is responsible for successfully bringing to market popular cannabis strains such as Roma, DQ, London, Tel-Aviv, Elle and Pandora's Box. The IMC brand in Israel has become synonymous with quality, purity and consistency.

The Company through its subsidiary Focus currently offers two main types of products: dried Cannabis and Cannabis oil. All of the products are tested in certifies labs according to the Israeli Ministry of Health standards and certified before being packaged and labelled with detailed information about the levels of Tetrahydrocannabinol ("THC") and Cannabidol ("CBD") within each product.

There are currently a number of dried medical cannabis products and medical cannabis oil products bearing IMC's Brands:

DRIED MEDICAL CANNABIS PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Strain	**THC/CBD Content**	**Usage**
Dairy Queen Sativa 40 / Indica 60	THC: 17-21% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety, ALS, MS, Crohn's disease.
Pandora's Box Sativa 70 / Indica 30	THC: 17-20% CBD: <0.1%	In Israel, has been prescribed for relief from pain, stress and anxiety; treats depression, migraines and nausea.
Roma Indica Dominant	THC: 26-30% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety.
London Indica Dominant	THC: 14-18% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of insomnia, eating disorders and anxiety, PTSD.

Tel Aviv Sativa 80 / Indica 20	THC:11-19% CBD: <0.1%	In Israel, has been prescribed for relief from chronic pain and migraines; treatment of eating disorders and anxiety.
Paris Sativa 40 / Indica 60	THC: 7-9% CBD: 9-13%	In Israel, has been prescribed for relief from the side effects of chemotherapy and radiation treatments of cancer patients.

MEDICAL CANNABIS OIL PRODUCTS BEARING IMC'S BRAND (DISTRIBUTED BY FOCUS)		
Name	**THC/CBD Content**	**Description**
Medical Cannabis Oil	THC: 10% CBD: 2%	In Israel has been prescribed for patients who are first-time users of medical cannabis for various indications.
Medical Cannabis Oil – Forte	THC: 15% CBD: 3%	In Israel, has been prescribed for inducing sleep and alleviating pain, as well as relieving side effects of chemotherapy treatment.
Rich CBD Medical Cannabis Oil	THC: 6% CBD: 4%	In Israel, has been prescribed for patients with active day-time routines as the formula minimizes psychoactive effects.

Corporate Developments

(i) Private placement

In May and June 2018, IMC completed a series of private placements pursuant to which it sold an aggregate of 2,282,750 units (the "**Units**") at $4.00 per Unit for gross proceeds of $9,131,000 (the "**2018 Private Placements**"). Each Unit consisted of one IMC Share and one-half of one IMC Warrant, with each whole IMC Warrant exercisable for one IMC Share at an exercise price of $5.00 for 24 months following the date of issuance. The gross proceeds amount to $9,131 and aggregate net proceeds to the Company from the 2018 Private Placement, after deducting the Placement Agents' fees and other issuance expenses were approximately $8,400.

As part of the raise, IMC issued 1,141,375 warrants to dealers and agents in connection with any prior financings of IMC.

Corporate Restructuring and Canadian Liquidity Event

Following the 2018 Private Placements, IMC entered into the Definitive Agreement for the Proposed Reverse Takeover Transaction to continue to expand its business and access new capital markets.

In mid-2018, the Company entered into a binding letter agreement (the “Letter Agreement”) with Navasota Acquisition Ltd. IMC and Navasota propose to combine the business and assets of IMC with those of Navasota and upon completion of such business combination, Navasota will become the Resulting Issuer with the name “IM Cannabis Corp.“ on the Canadian Securities Exchange (“CSE”).

(ii) License Renewal

Effective December 13, 2018, Israeli Ministry of Health renewed the License of Focus to March 30, 2020 and is expected to extend the License at the end of its current term. The License currently allows the Company through its subsidiary, Focus, to, among other things, grow and hold in the growing installation at any given time total up to 12,000 plants of the different types and at the different cultivation stages at any point of time. In addition, up to 900 kilos of the plant inflorescence at post-harvest processing stages and up to 450 kilos of unplanted plant parts, as well as plants uprooted also not for the purpose of processing. In addition, the License also allows the Company to cultivate and storage in the production installation up to 3,630 plants of different types and at the different cultivation stages at any point of time.

(iii) Strategic structure

During 2018, IMC established four new Companies:

1. IMC Pharma Ltd., which received GDP production license from the Israeli Medical Cannabis Agency (IMCA) on May 25, 2018 for one year in order to establish production workplace of Cannabis products, and is currently in the process of extending it.
2. IMCC Ltd, which received GDP distribution license from the IMCA on May 25, 2018 for one year in order to establish a trading house for the storage and distribution of Cannabis products, and is currently in the process of extending it.
3. IMC Ventures Ltd., for research and development purposes in collaboration with Professor Dedi Meiri, one of the top Cannabinoid investigators.
4. IMC Farms Ltd., for the purpose of building additional cultivation farm in Israel in order to produce and sell more in Israel and abroad.

(iv) Regulatory Changes

Until today, patients received licenses for the use of medical cannabis from the IMCA, which set a fixed monthly price for patients registered to receive products, regardless of the amount they consumed. Patients who were entitled to receive the product, paid a fixed price of 370 NIS for a month, thus, a patient who received 20 grams of the product paid just like a patient who received 180 grams. From April 2018, a pilot of selling the products through the pharmacies began by the Israeli Ministry of Health. Under the MOH new regulations, patients will obtain a prescription for medical cannabis from a physician and purchase the prescribed medicine from pharmacies. In addition, the price of medical cannabis will no longer be controlled by the MOH and is expected to increase to reflect patients' actual consumption amounts and choices of products.

Following the implementation of the reform, IMC expects the Israeli medical cannabis market to experience exponential growth in the short-term future for several reasons, including:

(a) price increases;
(b) the tripling of the number of physicians certified by the IMCA to prescribe medical cannabis;
(c) the ability of physicians to directly prescribe medical cannabis to patients rather than the previous qualification method whereby the IMCA assigned patients to suppliers;
(d) the continued growth rate of the Israeli medical cannabis patient base and the resolution of an IMCA backlog that has slowed the approval process;
(e) expansion of the list of ailments and diseases for which medical cannabis can be prescribed1 to conditions affecting, according to IMC's estimates, approximately 2-4% of the population, a total of approximately 250,000-350,000 people.

Focus had previously distributed approximately 80% of its medical cannabis products by home delivery and 20% via one designated distribution outlet set by the IMCA. IMC does not expect this breakdown to materially change under the new MOH Regulations.

(v) GAP Certification

During 2018, Focus adapted its greenhouses to the International G.A.P standards which were adjusted to the Israeli Cannabis by the Associate Director General of the Ministry of Health. This standard is based on the general requirements for proper growth conditions of plants and by the WHO Guidelines on Good Agricultural & Collection Practices (GACP) for medicinal plants - Geneva 2003, Guidelines for cultivating Cannabis for medicinal purposes, Nederland, Dec' 2002 and GLOBAL G.A.P. IFA 4.0 (FV), Mar'13. The adjustments included, replacement of all three greenhouses, improvement of working processes, more comprehensive test of the products purchase of new and advanced irrigation machine and twister machine and etc. As a result, the greenhouses received a G.A.P. standard.

(vi) Medical Cannabis Exports

The Israeli government approved the Export Reform in January 2019 and it is anticipated that the LPs who receive export licenses from the MOH will begin exporting medical cannabis products within several months of the effective date, subject to compliance by such LPs with the regulations set or which shall be set by the MOH. Given IMC's brands and market positions as well as Focus's recently awarded GAP certification the Company expects to benefit from export. IMC expects that the export will start in 2020.

(vii) A New Brand

On January 16, 2018, IMC formally changed its corporate brand to International Medical Cannabis ("IMC" or the "Company"). The new brand reflects IMC's strategic plan to diversify from an Israeli medical Cannabis Company and into an international medical Cannabis Company while remaining aligned with the Company's longstanding reputation as a leading producer and supplier of medical Cannabis.

In addition, IMC is a newly established holding Company that will hold all the operating assets of Focus. IMC Holdings was established to prepare the Company for a planned listing on a stock exchange in Canada, and to facilitate a restructuring of IMC's Israel-based assets, a requirement for compliance with the pending Cannabis industry reform in Israel.

1 Medical Cannabis –Information and Medical Guidebook, Ministry of Health, Circular of Deputy General Manager, 2nd Revision, December 2017 https://www.health.gov.il/hozer/mmk154_2016.pdf

(viii) Supply Agreement

On September 25, 2018, Focus Medical Herbs Ltd., a 74% owned subsidiary of IMC, entered into a letter of Intent with Panaxia, one of the leading GMP pharmaceutical industry, to package and supply a minimum of 2,500 kg of Cannabis per annum for the Israeli consumers and abroad. Supply quantities will be determined based on demand with no set maximum, and a minimum of 2,000 kg for the first year.

(ix) International Activity

IMC believes that the key to its global expansion is penetration of the European market through the promotion of IMC's Brand as part of a wholly-owned distribution platform. IMC is looking at Europe as a key market for international growth.

IMC's strategy begins with Germany, currently the largest and most advanced market in Europe. To develop its operations, On March 15, 2019, IMC completed the acquisition of 100% of Adjupharm GmbH - ("**Adjupharm**"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. IMC acquired issued and outstanding Adjupharm shares for €924,000 (approximately $1,400,000) with additional obligations to the sellers including repayment of bank loans of up to €680,000 (approximately $1,030,000). As of the approval date of the financial statements these bank loans were repaid by the Company. On March 21, 2019, following the acquisition, the Company granted to Adjupharm's CEO 5% of Adjupharm's Ordinary shares.

Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

To achieve sufficient product availability for distribution in the German market, IMC expects to enter strategic agreements with EU-GMP suppliers, set up its own cultivation facilities or in partnership with local partners, and promote the export of Focus' and other LPs' products from Israel once export is permitted by the MOH.

IMC is in the process of applying for a license to cultivate medical cannabis in Portugal and is exploring additional opportunities in other European jurisdictions in which medical cannabis is currently legal.

On October 2018, IMC Holding established a wholly owned Company in Portugal in order to achieve license for Cannabis cultivation. After the Company will receive the license, IMC intends to export the Cannabis to Companies that IMC will purchase/ establish in Europe.

(x) World Class Know-how, Innovation and Scale

Nine years of experience in cultivating, breeding and processing cannabis has been accumulated by IMC's team allowing Focus to replicate genetically stable plants in its growing facility. The quality, aesthetic appeal and consistency of cultivation has played an essential role in the success and the branding of the Company and its products.

IMC has developed proprietary industrial cannabis processing machinery, which enables significant automation and cost reduction in the cannabis post-harvest and production processes. IMC is in the process of applying to patent this technology and expects to receive patent pending status by June 2019.

Financial Results

	For the year ended December 31	
(in thousands except as otherwise noted)	2018	2017
Financial Results		
Revenues	$ 5,197	$ 4,393
Gross margin before fair value impacts in cost of sales	$ 3,422	$ 2,425
Gross margin before fair value impacts in cost of sales %	66%	55%
Net Income	$ 2,627	$ 727
Balance Sheet		
Cannabis inventory and biological assets	$ 5,565	$ 1,446
Total assets	$ 14,994	$ 3,643
Operational Results - Medical Cannabis		
Active registered patients	4,011	2,658
Average net selling price of dried cannabis	$ 2.61	$ 2.63
Kilograms produced	2,460,883	3,037,737
Kilograms sold	1,596,537	1,072,897

The Group's financial results for the year continued to show strong growth in dried medical Cannabis and Cannabis oil sales. Compared to the prior year, medical Cannabis revenue increased by 18%, while at the same time allowing for a significant increase in inventory. Cannabis inventory and biological assets increased by 285% from the prior year.

In 2010 Focus commenced commercial operations and began generating revenues from the sale of medical Cannabis in the beginning of 2011. On March 18th, 2018, IMC purchased 74% of Focus shares for 2,960,000 NIS. Production and operations have been consistently growing in both sales and capacity since inception. The Group has maintained its focus on providing quality products produced in a cost-effective manner. From costs perspective (before fair value adjustments), the increase in cultivation related costs, the hiring and contracting of additional experts and experienced personnel, the additional business development activities and increased corporate activities have led to only 21% costs increase in 2018. Net profit was offset by the fair value adjustment on growth of biological assets.

During the year ended December 31, 2018, the Group focused its efforts and operational and capital spending on the following:

• Registration and preparation for the issue in the CSE.

• Hiring of financial advisors, growing, and management resources

• Optimizing and Increasing production to meet the anticipated increase in product demand; and

• Growing increased market awareness of the Company and its products and approach.

• Adjust the greenhouses in south of Israel to the GAP standards.

Review of Operations for the year ended December 31, 2018 and 2017

(i) Revenues

Revenues for the year ended December 31, 2018 were 5,197 thousand CAD compared to 4,393 thousand CAD during the same period in 2017, an increase of 804 thousand CAD or 18%. The increase in revenues, period over period, is primarily due to the growth in IMC’s active registered patients. Total product sold for the year ended December 31, 2018 was 1,597 kilograms at an average selling price of 2.61 CAD per gram compared to 1,073 kilograms sold for the year ended December 31, 2017 at an average selling price of 2.63 CAD per gram.

(ii) Net cost of sales

The consolidated cost of sales is comprised of the following:

- Production costs – represents current period costs that are directly attributable to the Cannabis growing and harvesting process.
- Fair value adjustment on sale of inventory – relates to the previously fair value increase associated with biological assets that were transferred to inventory upon harvest.
- Fair value adjustment on growth of biological assets – represents the estimated fair value less cost to sell of biological assets as at the reporting date.

Included in net cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of Cannabis plants at various after-harvest stages which are recorded at fair value less costs to sell after harvest. Cost to sell include production, testing, shipping and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Net cost of sales for the year ended December 31, 2018 and 2017 were 1,775 CAD and 1,968 CAD, respectively, showing 10% reduction. Most of the cost of sales is comprised of production employees’ salary expenses and deliveries. We expect net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants after harvest plants and the strains being grown and based on technological progress in the trimming machines.

(iii) Gross profit

Gross profit for the year ended December 31, 2018 was 6,196 thousand CAD compared to 2,803 for the same period in 2017, an increase of 3,393 thousand CAD or 121%. Gross profit includes unrealized gain from changes in biological assets which was 4,374 thousand CAD compared to 745 thousand CAD during the year ended December 31, 2018 and 2017, respectively. Increase in gross profit is primarily due to the change in unrealized gain from change in fair value of biological assets. We expect gross profit to vary from quarter to quarter based on the number of pre-harvest plants, after harvest plants and the strains being grown at the end of the quarter.

(iv) Expenses

General and administrative

General and administrative expenses for the year ended December 31, 2018 were 2,520 thousand CAD compared to 1,593 thousand CAD during the same period in 2017, an increase of 927 thousand CAD or 58%. The increase represents the Company's efforts to bring more labor and talent into the Company, increased travel, increased corporate activity, investor relations and maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.

Selling and Marketing

Selling and marketing expenses ("S&M") for the year ended December 31, 2018 were 510 thousand CAD compared to 216 thousand CAD during the same period in 2017, an increase of 294 thousand CAD or 136%. The increase in the S&M expenses is part of the Company's expansion strategy.

Research and Development

Research and Development expenses ("R&D") were incurred in 2018 for 83 thousand CAD. The expenses incurred due to a research project started in Paraguay during 2018.

Finance

Finance income, net for the year ended December 31, 2018 was 285 thousand CAD compared to Finance expenses, net of 26 thousand CAD during the same period in 2017, an increase of 311 thousand CAD or 1,1981%. The change is mainly due to exchange rate differences and the valuation update of the warrants issued on June 2018.

Depreciation

Depreciation expense for the year ended December 31, 2018 was 180 thousand CAD compared to 81 thousand CAD during the same period in 2017, an increase of 99 thousand NIS or 122%. The increase was primarily due to the renewal of the greenhouses and purchase of additional machines during 2018.

Net Income

Net income for the year ended December 31, 2018 was 2,627 thousand CAD compared to income of 727 CAD during the same period in 2017, an increase of 1,901 thousand CAD or 261%. This is primarily due to the change in unrealized gain from changed in fair value of biological assets.

Earnings per Share

Basic earnings per share is calculated by dividing the net profit attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period. Diluted profit per share is calculated by adjusting the earnings and number of shares for the effects of dilutive warrants and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted profit per share excludes un-issued common shares related to stock options as they are antidilutive. Basic profit per share for the year ended December 31, 2018 was 0.15 CAD per share. Diluted profit per share for the year ended December 31, 2018 was 0.15 CAD per share.

Total Assets

Total assets at December 31, 2018 were 14,994 thousand CAD compared to 3,643 thousand CAD at December 31, 2017, an increase of 11,351 thousand CAD or 312%. The increase is primarily due to an increase in the cash flow from investors following the Company's goal to be traded publicly in the CSE.

Total Liabilities

Total liabilities at December 31, 2018 were 3,383 thousand CAD compared to 1,846 thousand CAD at December 31, 2017, an increase of 1,537 thousand CAD or 83%. The increase is primarily due an increase in trade and other payables.

Liquidity and Capital Resources

For the year ended December 31, 2018, the Consolidated Company generated revenues of 5,197 thousand CAD from operations and financed its operations and met its capital requirements primarily through shareholder debt and external borrowings. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements.

As at December 31, 2018, the Company had a working capital of 12,306 thousand CAD compared to a working capital of 1,730 thousand CAD at December 31, 2017. The increase in working capital of 10,576 thousand CAD is primarily attributable to the capital raising following the issuing of the Company in the CSE.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Share Capital

The Company's authorized share capital consists of a limited number of common shares without par value of which 12,282,750 common shares are issued and outstanding as of the date of this MD&A.

Contingent Liabilities and Commitments

(i) Rental Liabilities

On August, 2010, Focus signed an agreement with a farmer, located in the south of Israel (the "Farmer"), according to which Focus and the Farmer will jointly operate an area of 7,000 square meters (the "facility") for the cultivation and processing of medical cannabis (the "Venture"). For the purpose of this venture, the parties will operate in the framework of Focus. As part of the agreement, 26% of the share capital of Focus was allocated to the Farmer.
According to the agreement, Focus will be responsible for transferring to the Farmer payments for the construction and rental of the facility.

On December 1, 2016, Focus signed with the Farmer an additional agreement, according to which Focus will operate an additional area of 6,000 square meters (the "facility") for the cultivation and processing of medical cannabis, under the framework of Focus.

Total rent expenses for the years ended December 31, 2018 and 2017, amounted to approximately $194 thousands CAD and $164 thousands CAD, respectively.

(ii) Municipal Taxes Demand

On January 15, 2018, IMC, six other medical cannabis growers and Abarbanel Mental Health Center received a municipal tax demand from the municipality of Bat-Yam, ordering them to pay NIS 2,507,194.70 (911 thousands CAD), for operating a medical cannabis distribution center in Bat-Yam. On May 15, 2018, IMC filed an objection to the demand on the basis that it does not operate nor conduct business of any kind in the jurisdiction of Bat-Yam. The procedure remains in process and no outcome has been reached.

At this preliminary stage, Company's management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

(iii) Class Action T.Z. 8394-11-16

On March 11, 2016, a motion was filed for approval of a class action against Focus and seven other Israeli cannabis growers (collectively, the "Growers"), for (1) alleged use of chemical pesticides in the cannabis growing process, in contradiction to the Plant Protection Regulations (Compliance with Packaging Label Instructions) (the "Label Regulations") and to the Protection of Public Health Regulations (Food) (Residues of Pesticides) (the "Residues Regulations"), and the misleading of their customers, thus violating the Consumer Protection Law (the "Consumer Law") (hereafter: the "usage of pesticides claim") (2) selling cannabis product with lower concentration of active ingredients than publicized; and (3) marketing products in defective packaging – allegedly causing violation of Autonomy and unjust enrichment. The personal suit sum for every class member stands at NIS 5,000 (approximately 2 thousands CAD); the total amount of the class action suit is estimated at NIS 133 million (47,945 thousands CAD).

The Growers argued in their response that the threshold conditions for approval of a class action were not met, and that they did not violate the Label Regulations and the Residues Regulations. The Growers also argued that they are not liable for any civil wrongdoing, nor did they mislead users regarding usage of pesticides, or had any legal duty regarding cannabis packaging beyond Ministry of Health guidance and therefore did not breach any statutory duty. Additionally, the defense argues that there is no base for an unjust enrichment claim.

On September 6, 2018 the Ministry of Health and the Ministry of Agriculture submitted their official opinion to the court. The second preliminary hearing took place on October 29, 2018 and subsequently an evidentiary hearing was set for September 9, 2019. At the current stage of the litigation process, its outcomes cannot yet be predicted.

At this preliminary stage, Company's management believes, based on the opinion of its legal counsel, that it is not possible to assess the prospects of the proceeding. Therefore, no provision has been recorded in respect thereof.

Off-Balance Sheet Arrangements

IMC has no off-balance sheet arrangements as at December 31, 2018, December 31 and 2017.

Transactions with Related Parties

The Company had no transactions with related parties except those pertaining to transactions with key management personnel and shareholders in the ordinary course of their employment or directorship.

Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which IMC currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following risk factors have been identified by Management:

Financial Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Marijuana Industry

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on Page 16 business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Israeli ministry of health, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical Cannabis and Cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the

Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iii) Changes in Laws, Regulations and Other Guidelines

The Company's operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical Cannabis but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and nonhazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) Reliance on License Renewal

The Company's business, specifically Focus, is dependent on the License from the Israeli Ministry of Health and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. The license was renewed on December 13, 2018 and expires March 30, 2020. Although management believes it will meet the requirements of the Israeli Ministry of Health annually for extension of the License, there can be no guarantee that Israeli Ministry of Health will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Israeli Ministry of Health not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

(vi) Dependence on Senior Management

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company.

(vii) Competition in the Industry

There is potential that the Company will face intense competition from other Companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which IMC operates, the Company expects to face additional competition from new entrants. If the number of users of medical Cannabis in Israel increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger Companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business through its subsidiary focus involves the growing of medical marijuana, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of the Company.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by the Israeli Ministry of Health, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. It can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or Page 18 other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's product specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xi) Reliance on Key Business Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g. rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see "Potential Product Liability" below), errors and omission insurance, directors', trustees' insurance, property coverage, and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As a manufacturer of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of IMC products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that IMC's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

(xv) Potential Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of IMC's products are recalled due to an alleged product defect or for any other reason, IMC could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. IMC may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additional if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of IMC's operations by Israeli Ministry of Health or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Reliance on the Main Facility

The Company's activities and resources have been primarily focused on its subsidiary Focus's main facility in south of Israel and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility could have a material adverse effect on the Company's business, financial condition and prospects.

(xvii) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth, that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Israel. Additionally, the government discussing the possibility of exporting Cannabis and changing the pricing method from fixed price to various price, which could increase the Company's revenues.

Critical Accounting Estimates

The Company's significant accounting policies under IFRS are contained in the Statements (refer to Note 2 to the Annual Financial Statements and to the Interim Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments

The following new accounting standards applied or adopted during the period ended December 31, 2018 had no material impact on the condensed interim consolidated financial statements:

IFRS 16 – Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, Leases (the "New Standard"). According to the New Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal changes of the new Standard are as follows:

- According to the new Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the existing standard, IAS 17, "Leases". Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The accounting treatment by lessors remains substantially unchanged from the existing standard, namely classification of a lease as a finance lease or an operating lease

- The new Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

The new Standard is effective for annual periods beginning on or after January 1, 2019.

The new Standard permits lessees to use one of the following approaches:

1. Full retrospective approach - according to this approach, a right-of-use asset and the corresponding liability will be presented in the statement of financial position as if they had always been measured according to the provisions of the new Standard. Accordingly, the effect of the adoption of the new Standard at the beginning of the earliest period presented will be recorded in equity.
   Also, the Company will restate the comparative data in its financial statements. Under this approach, the balance of the liability as of the date of initial application of the new Standard will be calculated using the interest rate implicit in the lease, unless this rate cannot be easily determined in which case the lessee's incremental borrowing rate of interest on the commencement date of the lease will be used.

2. Modified retrospective approach - this approach does not require restatement of comparative data. The balance of the liability as of the date of initial application of the new Standard will be calculated using the lessee's incremental borrowing rate of interest on the date of initial application of the new Standard. As for the measurement of the right-of-use asset, the Company may choose, on a lease-by-lease basis, to apply one of the two following alternatives:
   - Recognize an asset in an amount equal to the lease liability, with certain adjustments.
   - Recognize an asset as if the new Standard had always been applied.

   Any difference arising on the date of first-time application of the new Standard as a result of applying the modified retrospective approach will be recorded in equity.

   The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements. The Company believes that it will apply the modified retrospective approach upon the initial adoption of the new Standard whereby the right-of-use asset will be measured at an amount equal to the lease liability.

   The Company believes, based on an assessment of the impact of the adoption of the new Standard, that its application will result in an increase in both assets (right-of use asset) and lease liabilities in the amount of approximately $640.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, Income Taxes, in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation is to be applied in financial statements for annual periods beginning on January 1, 2019. Early adoption is permitted.

The Company does not expect the Interpretation to have any material effect on the financial statements.

Subsequent Events

a. On December 25, 2018, the Israeli Dangerous Drug Ordinance was amended to allow the export of medical cannabis products by authorized exporters, following which, in January 2019, the Israeli Government approved the export of medical cannabis products from Israel, subject to additional regulations.

b. Understanding that the forthcoming Israel Minister Of Health regulatory reform will allow many new Israeli medical cannabis entrants to apply for licenses and operate as Licensed Producers ("LPs"), IMC identified an opportunity to generate revenue by offering consulting services and licensing IMC's IP to a wide range of new entrants to the Israeli medical cannabis industry.

   On April 2, 2019, IMC undertook a restructuring process (the "IMC Restructuring") to divest its holdings in Focus, IMC Pharma and IMCC (the "Licensed Entities") and sold its interest to the two Principal Shareholders of the Company for an aggregate consideration of NIS 370 thousand (approximately $137). In the process, IMC restructured its connection to the Government Issued License, from Direct Ownership to a Business Agreement relationship, according to which IMC will still gain most of the economic values generated from the License, without directly owning it. Furthermore, IMC has the option to buy back the ownership of the license from the two Principal Shareholders.

   Following the IMC Restructuring of the Licensed Entities, IMC is not subject to any regulations in Israel applicable to the medical cannabis industry nor is it a direct or indirect holder of a licensed entity.

   As a result of the IMC Restructuring, the Company offers consulting, marketing and other related services to the Israeli medical cannabis industry through the licensing of IMC's IP, including IMC's Brand, IMC's Technology and IMC's Know-How. Currently, IMC primarily offers services to Focus pursuant to Commercial Agreements (the "Commercial Agreements") and has a number of proprietary medical cannabis products bearing IMC's Brand currently in distribution in Israel.

   According to the Commercial Agreements between the Company and Focus, IMC will provide certain services to Focus in exchange for fees and royalties:

   1. Under the Services Agreement, IMC will provide Focus with the following services based On Cost + 25% of Focus' revenues, payable quarterly:
      a. Business development and identification of collaboration opportunities in international jurisdictions;
      b. Financial analysis services; and
      c. Assistance with innovation projects, including identification of potential partners and service providers for such projects.

   2. Under the License Agreement, IMC grants Focus a limited, non-exclusive, non-assignable license to use IMC's IP for the purposes of cultivation of cannabis plants in the State of Israel and for the sale of any plant and/or product produced by Focus, either alone or together with other sub-contractors to be engaged with by Focus, in accordance with the terms and conditions of the License or New License, as applicable, issued to Focus by the Israeli Ministry of Health ("MOH"), applicable laws and regulations and subject to the terms of the License Agreement.

As consideration for the use of IMC's IP and for certain maintenance services to be provided by IMC, Focus shall pay to IMC an amount equal to 25% of Focus' total revenues, payable quarterly.

Under the Commercial Agreements, Focus has represented and warranted to IMC that it has received and shall maintain in good standing the License issued by the MOH. The current License permits Focus to produce and sell cannabis and cannabis oil for medical purposes.

As part of the IMC Restructuring, IMC entered into the Option Agreements with the Principal Shareholders pursuant to which IMC shall have the Option to re-acquire Focus, IMC Pharma and IMCC valid for a term of ten years for an aggregate exercise price of NIS 2,757 thousand (approximately $1,002).

The exercise of the options are subject to the prior approval of the change in the ownership of the aforementioned companies by the IMCA approval or any other Israeli regulatory authority that will be authorized to supervise and enforce the provisions of the License at the time of such exercise.

c. On February 20, 2019, IMC founded IMC – International Medical Cannabis Portugal Unipessoal Lda., a 100% owned subsidiary aimed at obtaining a license to cultivate medical cannabis in Portugal.

d. On March 15, 2019, IMC acquired a German company Adjupharm GmbH ("**Adjupharm**"), a licensed GMP producer with wholesale, narcotics handling and import licenses for medical cannabis. As part of its global expansion and penetration plan into the European market, IMC acquired 100% of Adjupharm's issued and outstanding shares for €924 thousand (approximately $1,400) with additional obligations to the sellers including repayment of bank loans of up to €680 thousand (approximately $1,030). As of the approval date of the financial statements these bank loans were repaid by the Company. The Company is in the process of identifying and measuring the assets and liabilities of Adjupharm.
Recognizing Germany as the largest and most advanced market in Europe, Adjupharm will begin to develop IMC brand presence in Germany along with distribution leadership in this growing medical cannabis market.

e. Until the signature date of the financial statements, IMC issued 1,206,000 share options to its employees and to some of its consultants in accordance to the 2018 Plan (see Note 15c in the financial statements).

f. On May 21, 2019, IMC has entered into a supply agreement with an international pharmaceutical company based in Spain (the "Spanish company" or "Spanish cultivator"). The Spanish company specializes in research and development, breeding, cultivation, extraction, purification and preparation of Narcotic Raw Materials ("NRMs") and Active Pharmaceutical Ingredients ("APIs") and hold the necessary Spanish regulatory approvals to operate in this field.

Under the agreement the Spanish cultivator shall work according with IMC's strains know-how and quality procedures. The products will be distributed to the German market as well as other European markets through the Company's wholly-owned EU GMP and distribution facility Adjupharm GmbH.

g. In connection with the November 6, 2018, definitive business combination agreement, with Navasota Resources Inc. ("Navasota") and IMC, which will constitute a Reverse Takeover Transaction of Navasota by the shareholders of the Company (the "Proposed Transaction"), Navasota and IMC announced on 29 August, 2019, the completion of a private placement offering of 19,048,326 subscription receipts (each a "Subscription Receipt") of a wholly owned subsidiary of Navasota ("Finco") at a price of $1.05 per Subscription Receipt (after giving affect to a contemplated share split of 1:10) for aggregate gross proceeds of $20,000 (the "Financing"). Upon the satisfaction or waiver of, among other things, all of the condition precedents to the completion of the Proposed Transaction, each Subscription Receipt will be exchanged for one unit of Finco (a "Finco Unit") with each Finco Unit being comprised of one (1) common share of Finco (a "Finco Share") and one-half (1/2) of one (1) common share purchase warrant of Finco (a "Finco Warrant"). Each whole Finco Warrant will be exercisable for one Finco Share at an exercise price of $1.30 (after giving affect to a contemplated share split of 1:10) for a period of 24 months following the closing of the Proposed Transaction. Upon closing of the Proposed Transaction, the Finco Shares and Finco Warrants will be exchanged for post-Consolidation Resulting Issuer shares and Resulting Issuer warrants on economically equivalent terms on a 1:1 basis.

   Immediately following the completion of the Proposed Transaction, it is expected that holders of IMC Ordinary shares will hold approximately 84.52% of the issued and outstanding Resulting Issuer shares, holders of Subscription Receipts will hold approximately 13.11% of the Resulting Issuers and current Navasota shareholders will hold 2.38% of the Resulting Issuers, in each case, on a non-diluted basis.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- Maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial Page 23 statements in accordance with applicable IFRS;
- Receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- Reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2018, the Company's internal control over financial reporting was effective.

During the year ended December 31, 2018, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

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